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# *A New Era for Development: Time for A Paradigm Shift*

## RUSSIA AND UKRAINE

### **Report of The Volunteer Executive Service Team (VEST) Initiative**

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The VEST Initiative is a program of *Counterpart*

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## ***EXECUTIVE SUMMARY***

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The Volunteer Executive Service Team (VEST) Initiative was created in 1992 in response to the challenges facing the emerging democracies of the former Soviet Union. This collaborative effort between the U.S. Government and the private sector was designed to define the role of U.S. private voluntary organizations (PVOs) in the Commonwealth of Independent States (CIS) and to generate support of "a new era for development."

The goal of the Vest Initiative is "to contribute to the stability and development of newly emerging democracies and to enhance their transition to democratic, market-based pluralistic societies." To that end, VEST emphasizes volunteer-based innovative people-to-people and institution-to-institution approaches to development.

The purpose of the VEST Initiative is:

To galvanize the talent, skill, experience and energy of America's non-governmental, non-profit organizations to help the people of the former Soviet Union meet essential social, health, environmental, agricultural and educational needs;

To foster linkages, partnerships and alliances between U.S. PVOs/NGOs and counterpart groups in the CIS;

To encourage the U.S. government to further support, strengthen, and expand U.S. PVOs as the key agents for building "the third sector" (self-help groups and private institutions) which is fundamental to healthy democratic civil societies.

The first VEST team was made up of 14 leaders from U.S. PVOs, cooperatives, foundations, business/trade associations, legal and educational organizations, along with officials of the Agency for International Development and the U.S. Department of State.

Focusing on Russia and Ukraine, they have drawn upon their combined expertise to offer both country specific as well as general recommendations to the U.S. executive and legislative branches of government and to the community of non-profit and voluntary organizations involved in international development programs -- to begin "a new era for development."

### ***Recommendations***

1. That the 103rd Congress and the new Administration support the public/private partnership, identifying civil society organizations (private voluntary and business) as key facilitators for a successful transition from totalitarianism to democracy;

2. That the USG and Congress recognize the role of U.S. PVOs as more than purveyors of "food and humanitarian assistance" which meet shorter term needs, but also as uniquely American instruments for sharing of technical and cooperative assistance to address the longer- term issues of development in the CIS;
3. That the Agency for International Development support, strengthen and expand the field activities of U.S. PVOs, in program areas consistent with U.S. Government policies and priorities;
4. That the Agency for International Development include a component designed to assist U.S. PVOs to further professionalize their own management systems and technical backstopping of their field programs in the former Soviet Union.

The VEST team supports the recommendation of the Department of State: *"What these new independent states need more than anything else...is knowledge: how to build democratic institutions, how to operate in a free market economy."* In order to successfully implement this recommendation, the VEST team further recommends that:

1. What is needed is a new foreign assistance paradigm -- a paradigm of reciprocity -- an approach based on the assumption of co-equal partnership and that sees knowledge co-generation and mutual investment and respect as the true capital of development.
2. Facilitation of private voluntary action and the strengthening of civil society institutions is necessary to generate a successful transition to democracy. Civil society institutions include:
  - \* advocacy groups
  - \* charitable organizations
  - \* independent media
  - \* micro and small enterprises
  - \* information clearinghouses
  - \* business, labor, trade and educational associations
3. U.S. PVOs have the capacity to become a knowledge bridge for our Ukrainian and Russian counterparts -- facilitating dialogue, networking and technical cooperation -- to accelerate and strengthen the development of a viable civil society, and the foundation for a stable democracy:

Networking, linkages, partnerships, and creative alliances with Ukrainian and Russian counterparts should be fostered and nurtured and supported by private and public donors

Internship opportunities should be explored, and supported by public and private donors

Grants for Ukrainian and Russian NGO development and capacity building should be a high priority for private and public donors

4. U.S. PVOs are uniquely qualified to be agents of change within newly emerging civil societies, helping their CIS counterparts formulate options and priorities in sectoral activities vital to the improvement of the quality of life and the flourishing of democracy and free markets.

Capacity building for Ukrainian and Russian NGOs should include training in:

- \*leadership
- \*strategic planning
- \*management
- \*financial accountability
- \*fundraising
- \*communications
- \*computer skills
- \*procurement
- \*marketing
- \*customer service
- \*law
- \*advocacy

5. A Counterpart Service Center should be established in both Ukraine and Russia to do the following:

**Become a Clearinghouse and Facilitate:**

- \*linkages between Ukrainian/Russian NGOs and US PVOs/NGOs
- \*technical cooperation and management training services
- \*access to exchange and internship programs
- \*access to expertise on program planning, proposal development and funding
- \*access to informational networks

**Pioneer a new era of technical cooperation between U.S. PVOs and Ukrainian/Russian NGOs based on the assumption of equal partnership and knowledge co-generation**

**Attract increased resource flows from the U.S. PVO foundation and cooperative communities to complement A.I.D. flows and speed up the pace of technical cooperation with Ukrainian/Russian counterparts.**

6. Development and enactment of legislation to provide a statutory basis for the organization and operation of NGOs must be a high priority for civil society governance in Russia and Ukraine.
7. In the area of micro and small enterprise development it is important to make a visible difference: progress must be tangible -- to make real money and to produce real things.

**Some of the most urgent needs for the development of a small business sector are:**

- \*clarification and reform of unfair tax laws**
- \*clear title to property**
- \*equitable access to materials**
- \*access to capital**
- \*access to information and technology**
- \*expertise in marketing, packaging, customer service**

- 8. Empowerment of women -- in the areas of reproductive health, infant and child welfare, micro and small enterprise development, farm labor, advocacy, organizational leadership and management -- is essential to the creation of a civil society based on democratic and equitable principles**
- 9. There cannot be a radical movement to privatize the 40,000 major state farms and collectives. A two-pronged approach making them more productive and efficient, while at the same time experimenting on a small scale with various forms of privatization seems the most prudent course.**
  - \* Creation of well-run market-responsive processing and distribution enterprises and/or further vertical integration of processing on the major state farms is a must.**
  - \* The governments of Russia and Ukraine must more clearly articulate the ground rules regarding ownership, private property, leasing, profit distribution, and quotas before rational business decisions can be made.**
- 10. Technical cooperation to address environmental issues should be a high priority of A.I.D. and the U.S. PVO/NGO community**
- 11. The American business, labor and agricultural communities should be mobilized to engage in substantial technical cooperation with business and agricultural enterprises in all republics of the former Soviet Union**

**In summary, VEST team members were convinced that "the new era for development" must be one of cooperation between equal partners, co-generation of knowledge, consensus on plans for joint ventures, enabling U.S./CIS partnerships -- both governmental and non-governmental -- to promote creativity and entrepreneurship in a society where this has been a legal crime.**

**There is widespread recognition at the executive levels of the U.S. government and PVOs that supports the case for a new paradigm in international development. Before the House Foreign Affairs Committee the Secretary of State noted:**

**"What these new independent states need more than anything else -- that for which they truly hunger -- is knowledge: how to build democratic institutions, how to operate in a free market economy.**

**"these states do not require old style 'foreign aid' as much as they need something different: the involvement of an energized private sector, acting in partnership with the U.S. Government.**

**"...we can leverage U.S. Government funds to catalyze private sector trade and investment. That's good for our business and our economy -- as well as for the development of markets and democracy in the new states."**

**In the words of VEST team member Rudy von Bernuth:**

**"The fundamental characteristic of this new paradigm will be the shift from resource transfer to knowledge co-generation. As the peoples of the Newly Independent States seek solutions and structures to cope with the unprecedented problems of transition from totalitarian state and command economies, nothing in our Western experience provides ready-made answers. But Western technical expertise, group processes and accumulated experiences can enrich and energize the knowledge revolution taking place in the new republics."**

## ***ACKNOWLEDGEMENTS***

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We wish to give special acknowledgement to Sally Montgomery, Deputy Assistant Administrator for the Office of Private & Voluntary Cooperation, Bureau for Food and Humanitarian Assistance who first conceived of the idea of the VEST Initiative; as well as to our ex-officio team members Tom McKay, Special Assistant to Ambassador Richard Armitage in the State Department, Regina Coleman of A.I.D.'s NIS Task Force, Tom Kelly of World Learning, Inc. and Elise Smith of Winrock International for their valuable insights and perspectives. In addition, we wish to express appreciation to the VEST team members' agencies for their in-kind contribution of executive staff expertise and special gratitude to Winrock for its monetary contribution.

The VEST Initiative is managed by COUNTERPART under an A.I.D. Cooperative Agreement. It was conceived and is implemented as a public/private partnership.



# FORWARD

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The fourteen Volunteer Executive Service Team (VEST) members spent three intensive weeks travelling to four cities in the Russian Federation and Ukraine seeking to foster linkages and partnerships with their Russian and Ukrainian counterparts and to increase awareness and understanding of the U.S. public/private partnership in promoting democracy, pluralism and free market economies around the world.

This first VEST visit was an extraordinary learning experience, as well as an opportunity to share expertise and knowledge -- to participate with the emerging Russian and Ukrainian NGO communities in addressing the challenges of building a new civil society.<sup>1</sup> Team members consulted with their counterparts on issues ranging from revitalizing food and health-care systems to attacking daunting environmental crises, from developing legal structures for philanthropy to the creation of a climate supporting micro-enterprise development. Bringing to the process a broad diversity of perspectives and experience, they all found both real need and opportunity for American PVOs to become involved for the long term.

This trip was the first of three to be taken over an 18 month period to provide a snapshot of impressions and identify opportunities for technical cooperation. Team members were chosen on the basis of institutional expertise in sectors critical to the evolution of a civil and free market society as well as their institution's commitment to working in the NIS. VEST team members were chosen from agencies not already operational in the NIS. The services of VEST team members are voluntary.

The purpose of this report and the debriefing conference following the trip is to share our findings and recommendations with our colleagues in the U.S. State Department, A.I.D., Congress and the broader community of non-governmental organizations and academic institutions in order to initiate a dialogue about new paradigms for international cooperation and development in the post-Cold War era. Through this dialogue we hope to be able to explore, clarify and re-define the role for U.S. PVOs/NGOs in promoting and strengthening the public and private institutions within the emerging civil societies of the former Soviet Union.

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<sup>1</sup> Civil society is a form of society that pre-supposes the existence of a space in which individuals and their self-created associations compete with each other in the pursuit of their values; free from the monolithic power of, for example, the state or religion. Civil societies are built on the belief that individual values are primary, in contrast to societies where the will of the individual does not lie at the foundation of groups or social institutions. Civil societies, therefore, tend to be market oriented and pluralistic where individuals bring about a wide spectrum of beliefs, conceptions, and attitudes which co-exist freely. These features -- individualism, the market, and pluralism -- tend to give rise to a host of civil society organizations which operate on the basis of voluntary exchange. The importance of this for understanding the republics of the former Soviet Union cannot be overstated: during the Soviet era there was a complete abolition of the voluntary institutions of a civil society.

# INTRODUCTION

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*"Never in the history of the world has a political and economic transition of the magnitude faced by the former Soviet republics been voluntarily undertaken by so large a population....The Challenge facing the United States, therefore, is to encourage and assist these republics to conceive and carry out an imaginative transition process sensitive to the culture and new aspirations of the diverse societies comprising the former Soviet Union." Malcolm Lovell, National Planning Association, VEST team member, 1992*

*"As an end in itself, involvement in the Newly Independent States<sup>2</sup> of the Former Soviet Union should strengthen the transformation from totalitarian to civil society, while securing a democratic peace with as little suffering as possible." David Cooperrider, Professor, Weatherhead School of Management, Case Western Reserve University, VEST team member, 1992*

The VEST team returned from Russia and Ukraine convinced that the historic and unprecedented change occurring in the former Soviet Union offers the opportunity for the United States to develop a new foreign assistance paradigm<sup>3</sup> -- a paradigm of reciprocity -- for a new era for development.

*"During my stay in Russia and Ukraine, I made a special effort to get off the beaten path and listen to people from many walks of life. I asked them why and how the United States might be most helpful. A very high percentage of the respondents indicated they were anxious to have an intellectual interchange with the United States--to work with their former cold war adversaries on the solution of the difficult problems Russia and Ukraine now face. The Russians and Ukrainians did not want these meetings structured with teachers and students, or donors and recipients. They wanted a context of equality." Ed Bullard, Founder & President, Technoserve, VEST team member*

These republics are rich in human resources, as well as in raw materials. The competence of these people, who are highly educated by world standards, has been demonstrated in many industries at the theoretical level and in some instances at the applied level as well. Their economies are so huge that the wealth necessary to revive them must be internally generated with external resources being used only at the margin to encourage and facilitate change and to help share the burden inherent in such change.

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<sup>2</sup> "NIS" -- Newly Independent States - is the official State Department term referring to all republics of the former Soviet Union. It is used primarily by the State Department, A.I.D. and the Department of Commerce. "CIS" - Commonwealth of Independent States -- includes all of the republics of the former Soviet Union, with the exception of Georgia and the Baltic nations of Estonia, Latvia and Lithuania. It is also used widely in Congressional documents, the media and by NGOs and UN agencies. This report uses both terms interchangeably.

<sup>3</sup> A paradigm is a dominant framework of thought (from the Greek paradigm "pattern") that tends to guide a whole discipline in its work: most often it is taken-for-granted as the realistic way to approach a given problem.

It is impossible at this time to make a substantive evaluation as to how well the people of the former Soviet republics will respond to their new opportunities and how well they will bear the hardships which inevitably accompany the transition to a new economic and social order. Considerable sacrifice will be required by large segments of the population. The need for tremendous productivity increases to generate national wealth as well as the conversion of defense industries will by necessity be accompanied by elimination of a substantial number of jobs in the industrial and agricultural sectors, with a ripple effect on all sectors. The needs of the displaced workers must be met in a fashion which is believed fair and reasonable and yet which moves the economy to substantially greater productivity.

It was felt by the entire team that the United States government and the private voluntary and for-profit sectors need to be sensitive to the tremendous opportunities inherent in this transition process, as well as alert to the many forces which have the potential of impeding or reversing the process. As the economy continues to deteriorate and hardships multiply, a return to a far more authoritarian government structure cannot be ruled out.

Perhaps most important on the positive side, is a new awakening of the people of these republics to the opportunity for a new and better life within a society that honors individual opportunity as well as individual rights. The people of Russia and Ukraine are capable of assuming responsibility for their own lives and their own societies. Democratic institutions can provide the tools with which these decisions are crafted.

Worldwide, we are beginning to understand the essential contribution that private and voluntary organizations can make as agents of change for creating and strengthening democratic and civil societies. Concepts and priorities need to be fashioned in such areas as health, needs of the elderly and dislocated workers, roles for women, and environmental concerns. Of equal importance is the passage of laws which will create incentives for non-profit and commercial enterprise development, private ownership of land, commercial export, and charitable giving. U.S. PVOs/NGOs, including American corporations and trade unions, can play a catalytic role in helping their Russian and Ukrainian counterparts analyze options and advocate priorities to insure that the decision making process is inclusive and thoughtful.

The experience of the VEST Initiative team in Russia and Ukraine has dramatized the importance of encouraging U.S. private and voluntary organizations to play an active role as facilitators rather than decision makers during the evolution to democratic, civil societies. "Old style" foreign assistance (i.e. the donor/recipient relationship) must give way to a relationship of reciprocity which incorporates the principles of mutual respect and mutual investment.

The "snapshot" view of Russia and Ukraine embodied in this report can serve as an important vantage point for envisioning international cooperation prototypes for a new era. We believe it should.

# UNPRECEDENTED TRANSITION

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*"...The current economic crisis is perceived by many as a tightrope, with social strife and civil unrest waiting below; 67 percent of respondents believe that a further decline in living standards could bring about a social upheaval. Of those, 22 percent think a civic revolt is inevitable and 45 percent consider it likely to happen...this is why it is essential to do something before social stress has reached the boiling point." Moscow Times, September 1992: results of an opinion poll taken by the Mnenie service and processed by the Cassandra sociology group. October 1992*

*"...There is no evidence to suggest that the democratic capitalist institutions, which have been built up over the past several centuries in the United States and Europe, can be replicated in these new republics without a lengthy and painful transition process." Malcolm Lovell, President, National Planning Association, VEST team member, 1992*

World news and sector assessments done by development specialists and the U.S. Congress prepared us well for our first cut observations of a fallen Soviet Empire. Upon our arrival in Russia and Ukraine it was self-evident that history is in the making. However different the pace, the evolution to democratic governance, market-led economies and civil societies has begun after 74 years of totalitarian governance and a command-driven centralized economy. Although most would like to think that this evolution represents freedom and progress, it has unravelled the familiar social fabric of these societies exposing their citizens to social and economic disruption.

## *Economic and Social Disruption*

The facts are staggering, giving credence to the idea that the transition toward democracy and privatization has had the impact of a revolution. The Russian people are experiencing the most dramatic decrease in purchasing power suffered by a major industrialized power in the past 50 years (UNICEF/WHO Collaborative Mission report, 1992). Statistics vary on the number of Russians under the poverty line. Some reports go as high as 90%. The Ministry of Labor, in early 1992, put the "minimum existence basket, including rent and medicine", at 550 rubles per month. The UNICEF/WHO report of March 1992 estimates that if this figure were 500 rubles per month, over 23 million people would be living below the poverty level.

People are in a survival mode. Inflation is running close to 1,500% a year (as of October 1992); food is available but unaffordable; the ruble has been substantially devalued, wiping out the savings of millions (current rate is 230:\$1); administrative disorder and corruption is discussed everywhere; old laws do not apply and new laws are blocked by "preventors"; according to a recent Newsweek Magazine article "in today's Russia, *perestroika* and *prestupnost*

(crime) have gotten mixed up in the same package", heralding in a new form of corruption and intimidation for the ordinary citizen.

*"Although corruption thrived under communism, Boris Yeltsin's drive to build a market economy has allowed mobsters to expand their operations and even move into semi-legitimate businesses. When Western visitors see bustling commerce, they tend to see entrepreneurs. Russians see the mob."*  
*Newsweek Magazine, October 5, 1992*

Even though the pace of democratic and economic reform is much slower in Ukraine, the impact of its independence from the Kremlin is having a serious impact on the standard of living and quality of life. Inflation is running over 1,000% annually; the budget deficit is running at about 20% of gross national product; industrial and agricultural production has plummeted more than 20% in 1992 as factories and equipment deteriorate and raw materials become more scarce. The Ukrainian coupon, a quasi-currency created to replace the ruble, has so diminished in value -- from the original rate of 10 to \$1 to 500 to \$1 -- that it makes the ruble look strong. The Washington Post recently noted that "In Ukraine...the euphoria many felt when independence was finally achieved last December has given way to exhausted disappointment. The same Communist faces still lead the nation, while the capitalistic bustle of Russia is nowhere in evidence."

Economic and social disruption is visible in both republics. Walking through an open market in the outskirts of Moscow we saw seasonal fruits and vegetables in abundance, but most people were browsing, not buying, and lining up at the potato booths. Slabs of fresh meat were laid out and hung in abundance in an indoor farmers market in Kiev, unrefrigerated with few customers in sight. Many former government owned shops were boarded up in each of the four cities visited -- Moscow, St. Petersburg, Odessa and Kiev. Consumer goods were in short supply and of relatively poor quality. Color and flair are missing from shop windows. A bleakness pervades in spite of the exquisite onion cathedral domes of gold and mosaic that dot the landscape. Strolling along the famous Arbat in Moscow -- a lively half-mile pedestrian mall -- vendors prefer selling for dollars, but request that the money be slipped quickly into their pockets before the transaction is witnessed by the "Mafia". (The State law allows people to buy in hard currency, but not to sell for it.) Most goods and services are not priced rationally...they bear little resemblance to value.

*"For a Russian or Ukrainian individual there isn't much sense in starting a small business at this moment. There are few systems in place: no access to credit; no distribution system; punitive taxation on gross profit of traders or middlemen (70% in Ukraine); finding premises is impossibly difficult and expensive....Broadway immigrant style is logical, and a lot of people are doing it."* Clare Smith, President, Aid to Artisans, VEST team member, 1992

Social icons have lost their status in a world where nothing is as it once was, and no one knows what it will become.

*"Every society sells junk to foreign tourists for whatever price can be had. But Arbat poshlost has a special poignancy. In the market for a Soviet colonel-general's dress uniform with all the trimmings, including a used white shirt? Bought from a needy widow, it can be yours for 10,000 rubles (\$49), subject to bargaining. The seller, Dimitri, said the widow, if she were lucky, got 2,000 rubles for it."*  
*(New York Times International, September 21, 1992)*

Seventy four years of State paternalism, upon which job security, pensions and universal health care depended, has broken down with no viable alternative social safety net yet in place. Concomitantly, the numbers of the most vulnerable -- pensioners, low income families, women and children -- are increasing. Fledgling charitable organizations with no secure funding base are not adequately filling the void.

Unemployment is being felt for the first time by the academic, scientific and military communities, not to mention most average workers. Few are prepared to compete in a changing job market where entrepreneurial, management and marketing skills will take precedence over higher academic degrees and military honors.

*"Now a whole new period is underway as women struggle to survive in a new and deteriorating economy, juggling their double burden, trying to keep their jobs or find ways to create new businesses to get income, and provide for their health care and the health of their children and families." Elise Fiber Smith, Winrock International, VEST team member, 1992*

Working women are the first to be fired from factory and academic jobs, reducing family purchasing power even further. In fact, from 1989 to the present the status of women has been declining in Russia and Ukraine. 80% of the unemployed are women. A conservative trend to put women in the home has developed, reinforced by messages in the "free media" on women, motherhood and the nation. Although a recent survey indicated that, if given the choice, only 20% of the women would stay at home, current legislation pending in the Russian parliament - where fewer women hold positions than before *perestroika* -- would limit women's working hours to 20 hours a week. In 1989, when the Ukrainian law eliminated quotas for female nominees, the number of female candidates dropped from 33% to 16%.

### *Environmental Decay*

A brief discussion of the persistent degradation of the environment and the serious and pervasive impact environmental pollutants are having on the health status of the population in both republics cannot convey the magnitude of the problem nor the inadequacy of the response. Sadly, "no other great industrial civilization has so systematically and for so long poisoned its land, air, water and people"...

*"There is an enormous tangle of problems. Air pollution problems are enormous. There continues to be drastic decline in drinking water quality. If you look at the large map over here you'll see the shaded portions of the country; these are designated ecological disaster zones: there are enormous rates of illness, steep decline in average life span, and high rates of ecological degradation. The world knows Chernobyl, but the map shows the problems go deeper. Fourteen per cent of Russia is now designated as a disaster zone." Yablokov, Ecological adviser to President Yeltsin, September 1992.*

Only a minuscule percent of the state budgets are allocated to the environment. It is obvious that the government cannot address the magnitude of the problem during a period of seriously limited financial resources.

### *Political and legal roadblocks*

There are more than remnants of the "old system" still in place in both republics. For example, it is estimated that there are 30,000 state farms and collectives in Russia today, with 10,000 or more in Ukraine. The vast majority of food and fiber produced in both republics still come from these massive farming units. It took 74 years to put them together, dismantling them could be disastrous.

With the state still retaining ownership of 96% of the land and with laws regulating private ownership of land remaining in flux, progress towards privatization has been confused.

*"The governments of Russia and Ukraine must more clearly articulate the ground rules regarding ownership, private property, leasing, profit distribution, quotas, etc. before rational business decisions can be made." Ed Bullard, Founder and President, Technoserve, VEST team member, 1992*

In fact, legislation is lacking in most areas critical to the growth of a private sector, promotion of philanthropy, and voluntarism. The laws that do exist are a dis-incentive to charitable giving, entrepreneurship, and private sector growth. One source interviewed by the VEST team estimated that there are about 40 different taxes in Russia, including an income tax with a 38% rate and a punitive tax on gross profits of traders and middlemen (70% in Ukraine).

Philanthropy as we know it in the United States is in an embryonic stage. Private enterprises receive a small tax deduction -- 2% of net profit -- for donating to charitable organizations, which then have to pay a tax on the donation, unless they receive a waiver from the government. Many "charitable" organizations are wholly dependent upon their for-profit "partners" for their very survival. Current law in both republics treats charitable organizations as "public organizations" providing tax exemption to the privileged few.

*"The first priority must be the development and enactment of legislation ... provide a statutory basis for the organization and operation of NGOs." Bruce Hopkins, President, Institute for International Law and Philanthropy, VEST team member, 1992*

The term "public" in fact means "non-governmental"; and to confuse matters more for an American, the non-governmental label includes secular charitable organizations and commercial enterprises, but excludes religious organizations and unions, as well as state-owned universities, hospitals and museums.

In Russia and Ukraine factionalism is rampant in the private and public sectors. Labels abound - "old guard", "reformers", "centrists", "mafia"; pro and anti-Yeltsin, Gorbachev, Gaidar, Rutskoi; pro and anti-Kravchuk. It is very difficult for a foreigner to sort out which faction, or

combination of factions, has the authority, power, resources and commitment to move forward the transition toward democratic governance, economic reform and a civil society.

There is unsettling uncertainty about the direction and pace of democratic and economic reforms. There is still speculation that opposition forces in Russia led by Vice President Rutskoi and Arkady Volsky, an alliance of industrial managers and former communists, might turn dramatically to the right and seriously impair the move toward democracy. In Ukraine, Kravchuk recently appointed a new prime minister, Leonid Kuchma, selected from the powerful state-controlled military-industrial complex, who says that he supports a move toward a market economy, believes in privatization, but intends to protect large state enterprises and prefers the Chinese model of top-down reform. According to Mykola Mykhalchenko, a Kravchuk adviser, "the creation of a state has had an influence on reform and sometimes thwarted it. The president was afraid of radical change, of having disequilibrium in Ukraine. Had we created an army of unemployed, then they would have marched against the state."

*"With pocket calculators and even abacuses, clerks recently waded through meter-high file stacks in the benefits office for Moscow's veteran officers. Their mission: to recalculate 117,000 pensions in order to keep pace with inflation...After decades of supporting the Soviet Army's massive military force with substantial paper pushing, Moscow's military administrators are now turning to computers." Moscow Times, September 1992*

We were well prepared, of course, to see and hear all of this. Russia and Ukraine are in unprecedented transition. Virtually every societal institution is in the midst of its imminent death. Or equally precarious, its birth. Nothing in between.

*But the conventional picture is incomplete...*



# STRENGTHS AND OPPORTUNITIES

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*"Russia and Ukraine are permeated with a pride in all the extraordinary works of art created over the centuries: the music of Rachmaninoff and Stravinsky, the joyful paintings of Chagall, the penetrating writings of Tolstoy, Chekov and Nabokov, the spiritual endurance of Solzhenitsyn, the choreographic genius of Balanchine. 'These are all part of a priceless legacy of culture of beauty, generosity, grace and exuberance which', writes Suzanne Massie, 'continues to make the world dream.'"*

*"At this extraordinary moment in the history of Russia and Ukraine, there has been a blossoming of non-governmental organizations, responding to and dealing with a huge array of social, political, and economic issues. In their variety, their number, their extraordinary intellectual vibrancy and conviction, they form a critical element in the evolution of post Marxist social structures and a new civil society." Rudy von Bernuth, Associate Vice President, Save The Children, VEST team member, 1992*

There is something tremendously creative and exciting emerging in Russia and Ukraine and it is something that gives hope for the future. Where does such hope come from?

## *A Rich Cultural Heritage*

Although VEST team members were aware of the rich literary and musical, and scientific heritage of the of Russia and Ukraine; it was nevertheless inspiring to see the heritage endure to this day. Our guide in Kiev spoke proudly of the city's 1300 libraries and 200 scientific institutes of advanced study. Citizens still get tears in their eyes when speaking about their society being first in space. At one collective farm visited by the VEST team there were half a dozen Ph.D.'s on staff intimately versed on the agricultural methods used in the U.S., Germany, and other countries. We witnessed opera houses packed with aficionados in Odessa and Kiev, and one needs only to visit the Ethnographic and Hermitage museums in St. Petersburg to realize the pride felt in the rich traditions of the past.

Spirituality and reverence for religion have endured for centuries in the soul of the people from these republics. Many of the exquisite Russian Orthodox churches and cathedrals, retained as national treasures during the Communist rule, have been revitalized and restored as houses of worship.

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<sup>4</sup> See Massie, S. Land of the Firebird: The Beauty of Old Russia, New York: Simon & Shuster, 1980

## *A Proliferation of Non-Governmental Organizations*

In October 1990, the Law on Public Organization was adopted, permitting the development of an NGO sector. Today, there are more than 40,000 NGOs and another 10,000 religious organizations in Russia -- focusing on activities of advocacy, politics, business, health care, social welfare, and environmental concerns. In Ukraine, 26 non-governmental organizations have been created in Odessa over the past three years to assist victims of Chernobyl, and another 120, with other areas of concentration have been registered. In both countries many non-governmental leaders came from the "Green Movement" heavily represented by the Socio-Ecological Union (SEU) which is an umbrella organization for some 300 smaller groups.

Women's groups, clubs, and associations are springing up all over Russia and Ukraine. Many of the leaders of the environmental movement were women who helped to organize self-help groups which then evolved into strong advocacy groups. Many small women's clubs are now emerging to meet local needs. Other older, more established local, regional and national organizations are trying to transform themselves into independent, non-governmental organizations. The Ukrainian Woman's Union, with over one-half million members and councils in all 27 regions of Ukraine, has the potential to be a "role model" in this transition period.

The non-governmental organizations represent a dynamic and catalytic element in dealing with critical problems, and have already shown the capacity to rally public opinion and challenge the state on major issues. Perhaps as a principal legacy of the Chernobyl disaster, environmental groups are a prominent feature of the NGO landscape in the Ukraine, representing a major force which the government has been obliged to recognize and, to a large degree, cooperate with, in addressing social and political concerns.

*"There were moving examples of E/NGO's which were actively involved in instilling a sense of environmental awareness in the present generation of school children. Perhaps more important for the short term, however, were the efforts aimed at keeping environmental concerns in the public eye.... 'Green World' newspapers appear to have substantial circulation and impact. They were cited by beleaguered but sympathetic government environmental officials as useful tools in supporting their efforts to establish the environment as a factor for decision making in the present climate of economic crisis." Tom Kelly, World Learning, VEST team member, 1992*

In the future, non-governmental organizations represent a tremendous instrumentality, a potential for mobilizing opinion and action to impact on the evolution of society and address social needs outside the framework of the old government structures. Some characteristics of this diverse and dynamic sector include the following:

- a) Intellectually sophisticated, highly educated;
- b) Novices in group dynamics and democratic management systems;
- c) Extraordinarily open and candid about their own situation, strengths and weaknesses;

- d) Eager for dialogue with and support from the West, but only on terms of equal partnership and mutual respect;
- e) With very different notions than we have about the definition and role of "private", "non-profit", "charity" and "governance". Entrepreneurship is readily commingled with humanitarian ideals; and the concept of alliance and cooperation between government and private entities lacks the same sense of clear boundaries that we have erected in the West.

All of these groups have the capacity and potential to fundamentally alter the fabric of Ukrainian and Russian societies. It is conceivable that at their current rate of proliferation there will be somewhere between 2 to 3 million non-governmental organizations created by the turn of the 20th century. On their success hinges the success of the transition to a civil society for these republics.

# **THE CASE FOR U.S. PVO/NGO INVOLVEMENT IN THE NIS**

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## ***The Greatest Transition Challenge: Emergence of a Civil Society***

**"We must realize that for the foreseeable future the Russian and Ukrainian NGO sectors will be in transition and cannot be equated with the American private sector. For centuries Russians have known only a centralized state-controlled society. Even as a non-governmental sector struggles to emerge, it is unable to comprehend a system which does not depend on the State for a large portion of its support." Stan Hosie, Executive Director, COUNTERPART, VEST team co-leader**

Today's resurgence of the idea of a civil society within the NIS itself can be seen, in juxtaposition to a totalitarian past, as the major transition issue crossing all sectors.

For 70 years the Communist Party carried out a program for the destruction of a civil society. First of all, the State dutifully implemented this program by giving itself the authority of law and by providing the necessary institutions to reinforce it, such as the army, the secret police (e.g. KGB), and the judiciary. Secondly, the State eliminated all civil society organizations: political parties, business associations, independent media, religious and charitable institutions. Lastly, as a consequence of the abolition of voluntarily created organizations, individual values were eliminated from institutional life. But this -- the destruction of citizen initiated organizations -- was not the State's final goal...this was a step toward the ultimate goal of eliminating civil society and making its re-emergence impossible.

To make the disappearance of civil society irreversible, the State enacted far reaching programs to change the very consciousness of the population: history and literature were radically re-written, whole disciplines such as management and leadership education were not allowed to evolve, media was totally controlled, and teaching became a tool for obedience to authority. In the economic sphere, for example, the only acceptable theory was that of command-driven central planning.

Despite the far-reaching programs to change human consciousness by creating a "new man" who would reject the pre-Communist values expressed by the institutions of a civil society, total progress was not made. Nevertheless, the totalitarian efforts to achieve this end dealt a devastating blow to individual initiative. All those considered by the State to be actual or even potential carriers of pre-Communist ideas were deprived of influence in public life and were often physically eliminated. There are those that believe that it may take another generation before the repressive inheritance bequeathed to the peoples of these lands is dissipated and a new confidence in an individual's self reliance is reborn.

One of the most important world macro-trends has been the tremendous growth in civil society organizations -- especially non-profit groups (NGOs and PVOs) that have been shown to be leading the way in making positive change happen. As it relates to making change happen, PVOs, as an essential feature of a civil society, have demonstrated a unique capacity to tap local knowledge and resources, respond to problems rapidly and creatively, link diverse resources and partners, and maintain the flexibility needed in changing circumstances.

Recovery of the institution building capacity of civil society is the central transition issue in a society giving rebirth. We often take for granted such civil society attributes such as: 1) value of the individual, 2) pluralism, 4) civil consciousness, 5) private enterprise, and 6) free markets. These very attributes in American society have led to a creative alliance -- a three-sector system of reciprocity -- between government, business and the "third sector" of private voluntary organizations. So, our assumption is this: The real leverage point for generating positive change in a post-totalitarian society is the recovery of private voluntary action.

*"Infusion of massive amounts of capital will accomplish virtually nothing if that capital is channelled through systems that slow the rebirth of civil society leadership. The question now is how to make it happen."*

### *A Unique and Essential Role for U.S. PVOs*

"Private Voluntary Organizations are necessary as important agents of change within a democratic political structure. Such organizations can formulate options and points of view which over time can be infused into the political process. Given serious resource constraints, concepts and priorities need to be fashioned in such areas as health, the needs of the elderly, roles for women, and environmental concerns. Participation of voluntary organizations is necessary to help analyze options and to advocate priorities to insure that the decision process is inclusive and thoughtful." Malcolm Lovell, President, National Planning Association, VEST team member, 1992

*"In the U.S., NGOs are one of the most important channels for social change. They carry out social, economic, and political programs at the local level as well as nationally to better the quality of life our citizens. They model democratic procedures and processes to solve local problems. They represent the pluralism and diversity in the private sector which strengthens the stability of our democratic society. Most importantly, they carry out tasks that governments are not able to perform and supplement government efforts to meet the needs of its citizens."* Elise Fiber Smith, Winrock International, VEST team member, 1992

As mentioned previously in this report, PVOs, as an essential feature of a civil society, have demonstrated a unique capacity to tap local and global knowledge and resources, respond to problems rapidly and creatively, link diverse resources and partners, and maintain the flexibility needed in changing circumstances.

The experience of the VEST team in Russia and Ukraine has dramatized the importance of encouraging U.S. PVOs, the cornerstone of the American civil society, to play an active role in the immense changes which are taking place to transform these societies into nations that can compete effectively in the 21st century.

Individually, and in the aggregate, U.S. PVOs represent a wealth of expertise and experience in building sustainable charitable and non-profit service organizations, fundraising and grantmaking, human resource and small enterprise development, environmental resource management and agricultural extension services. They operate on the very principles that are the underpinning of a civil society -- individual self-worth, civic consciousness and voluntarism, and democratic participation and governance.

There are more than six million U.S. PVOs providing for many social, health, educational, religious, cultural and other needs of the citizenry. Because of their special integrative skills, PVOs are increasingly working in creative and strategic alliances and partnerships with one another, government, business, and private foundations, helping to advocate for and insure the effective delivery of a broad range of social services both domestically and abroad.

U.S. PVOs have the capacity to become the knowledge bridge for our Ukrainian and Russian counterparts -- facilitating dialogue, networking and technical cooperation -- to accelerate and strengthen the development of a viable civil society, and the foundation for a stable democracy.

*"American PVOs have much to contribute: as partners, cooperating agencies, co-generators of program plans, co-managers of joint ventures, sharing their entrepreneurial traditions and experience of a free society with CIS counterparts." Stan Hosie, Executive Director, COUNTERPART, VEST team co-leader, 1992*

# **TIME FOR A PARADIGM SHIFT:<sup>5</sup>**

## **KNOWLEDGE CO-GENERATION VS. WEALTH TRANSFER**

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*"...What the Russian people are saying is this: What people from this proud country need, as we move towards democratization, are partnerships that increase productivity, access global information resources and sharing of technologies...We do not need old style forms of humanitarian aid."*  
Gennady Yagoden, Rector, International University of Russia. October 1992.

*"It was exceptionally clear to me that there was no simple package of technology, management know-how, or marketing strategies that could be brought from the United States and given to our Russian and Ukrainian colleagues. The process which was described to me many times, was one of sharing knowledge at a fairly high level and, through that sharing process, to create new knowledge. This co-generation of knowledge could be of sufficient significance to have an impact on the massive agricultural sector." Ed Bullard, Founder and President, Technoserve, VEST team member, 1992*

The massive political, social and economic changes of the past few years in the NIS have given rise to a growing debate over America's foreign assistance role in the post-Cold War Era. No matter which direction this debate goes, it is abundantly clear that some re-thinking must begin right now, as the NIS context is like nothing we have experienced so far. Of course, these are bold assertions. But there is more than a crisis. There is vast opportunity for all of us to learn: because of the unique situation as well as its more strategic importance.

An involvement in the NIS should be seen as an important vantage point for demonstrating foreign assistance prototypes for a new era. Based on our visit to Russia and Ukraine, we believe that James Baker, in his April 30, 1992 testimony before the House Foreign Affairs Committee, hits the center of the bulls eye when he sets forth the following challenge:

**"What these new independent states need more than anything else...that for which they truly hunger...is knowledge: how to build democratic institutions, how to operate in a free market economy. These states do not require old style "foreign aid" as much as they need something different: the knowledge that can be passed along by the active involvement of an engaged private sector." — that is, civil society organizations (private voluntary and business) in partnership with the U.S. government.**

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<sup>5</sup> A paradigm shift is a distinctly new way of thinking about old problems. In this report, we assert the need for a paradigm shift in our thinking about foreign assistance, because of 1) the unique circumstances of the NIS context and 2) recent global changes, including the globalization of knowledge as a resource for development.

What is needed, we argue, is a paradigm of reciprocity -- an approach that sees knowledge co-generation and mutual investment and respect as the true capital of development. In this model, foreign assistance is no longer material or wealth transfer. It is knowledge co-generation. It is based on global-local access to the inexhaustible resource of information.<sup>6</sup> The frontier of development work, especially when envisioned in the context of a highly advanced culture or region like the NIS, is in the areas of "knowledge alliance".

In a recent poll taken throughout the Russian Federation, less than one percent of those responding felt they needed more humanitarian assistance in the form of food supplies. Some ninety percent said they wanted ideas and technology to help improve production and deal with social problems in areas of health and ecology. In more heated language, V.F. Pisigin, an economic advisor to Russian President Yeltsin said:

*"My view on Humanitarian aid? Well, you all know the criticism that the food gets sold and used on drinking. My view: it would be good if the food really did go to the people and that they use it for drinking. Right now it is doing more harm. You must understand when it goes through government departments, it is going right into the hands of a system that we've been trying to get away from. It is supporting that last gasp of the totalitarian regime. And that, to me, is unbelievable. Totalitarian groups have ruined this country. Pouring money into that system, which is a carcass that should be allowed to die, will paralyze totalitarian reforms. I tell you this: it has ruined our country. To support it is unbelievable."*

As best said by VEST team member Professor David Cooperrider: "A paradigm of reciprocity in development begins, only, the moment we see the greatness that exists in others. That greatness exists in the CIS people. It's the system that was bad, and even that could not kill the spirit of these advanced people."

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<sup>6</sup> The information industry, estimated to exceed \$1.4 trillion in 1992, is becoming the largest segment of the economy. Japan has emerged as a world economic leader by recognizing one thing: development is no longer the movement of materials or goods; it is the ability to acquire, integrate and process information in ways that empower innovation, new management methods, rapid response, learning and the like.



## ***Guiding Principles for U.S. PVO/NIS NGO Cooperation***

**"The working relationship with CIS NGOs to be effective and productive calls for a radical departure from most previous US PVO partner relationships. The dramatically different circumstances of the CIS dictate a new paradigm in international cooperation and one to which US PVOs must adapt if they are to participate in the social revolution already taking place in the CIS, and in particular, if they are to cooperate in developing a private non profit sector in the new civil society fast taking shape in Russia and Ukraine." Rudy von Bernuth, Associate Vice President, Save The Children, VEST team member, 1992.**

In developing partnerships and linkages between U.S. and Russian and Ukrainian NGOs, the first requirement is to recognize that NIS and US NGOs will be working as equal partners. The NIS population is highly educated: the literacy rate is close to 100%. One must also realize that " there are well established systems of management, research, information gathering, distribution and components of sophisticated production... to view assistance as a catalyst is the most appropriate course of action. (UNICEF/WHO Collaborative Mission Report, March 17, 1992).

Establishment of trust is the first step. Cross-cultural communication skills are vital for building understanding and trust. Beginning steps should also include a) identifying links to organizations with similar missions, b) developing a dialogue, and then designing and executing a joint activity. You will find that Russian and Ukrainian counterparts are eager for concrete action -- not talk. Small concrete pilot activities will develop the trust relationship critical for long-term partnership and joint activity.

The fundamental guiding principles of this new paradigm for co-equal partnership and cooperation include:

- \* mutual trust and understanding
- \* mutual respect
- \* mutual investment
- \* willingness by the U.S. PVO to allow the NIS NGO to take the lead in agenda setting, and to be the senior partner in the decision making process
- \* commitment of the U.S. PVO partner to providing practical guidance and training in fiscal oversight to the CIS NGO while retaining fiscal control as required by donors

The free fall of local currencies, the significant lack of budgetary and accountancy training, and the gulf in perceptions between peoples in the first flush of exploration of non-profit modalities on the one hand, and the very established auditing principles of western aid donors, makes it critical that U.S. PVOs provide practical guidance in fund management and a significant degree of training by example.

\*knowledge co-generation: will include skill training, technology sharing, team approaches to problem solving through workshops, staff secondment, and information sharing networks.

*"Institutionalizing the aim of partnerships means shared management-mutual investment, shared governance, peer review, joint decision making, and true experience-based learning by doing, side by side together." Professor David Cooperrider, Weatherhead School of Management, Case Western Reserve University, VEST team member, 1992.*

## ***Examples of Paradigm Pioneers***

### **Center for Citizen Initiatives**

*Center for Citizen Initiatives (formerly the Center for US-USSR Initiatives) is a US non-profit organization which has partner non-profit organizations in Moscow and St. Petersburg. Since 1983 the Center has built links between US and USSR citizens with the goal of normalizing relations between our two countries and assisting democratic forces in the former Soviet Union.*

*The Center's Moscow partner is the International Bank of Ideas. The Center's St. Petersburg partner is the Center for Citizen Initiatives. Both offices assist Center coordinators from other regions. The Center's CIS network includes 15 program advisors, seven telecommunication systems for quick communication, program coordinators in ten CIS cities and program participants in 70 cities in the former Soviet Union. Its major multi-year CIS programs include business management, environment, alcoholism and addictions, and agriculture. Former programs included exchanges in medicine, philanthropy, law enforcement, education and culture.*

*Of special interest to the VEST team is the Center's program to assist CIS citizens to develop an independent private sector through an internship placement program which places CIS entrepreneurs in American firms for business management training in micromanagement, organizational development, marketing, public relations, accounting, quality control, and other small enterprise skills.*

## Foundation for Social Innovations

*FSI was founded by Gennady Alferenko in 1987 to develop and implement ideas and projects that will create significant, innovative social revival and renewal in the USSR". Almost a year after FSI gained legal status as one of the first independent, non-governmental organizations in the USSR, FSI USA began operations -- providing a vital communications link as well as technical assistance and program support.*

*The FSI (Moscow) and FSI USA partnership is a unique model of collaboration between a Russian indigenous NGO and an American NGO. Legally independent of one another, they function as one organization, backed by a common mission and programs. This is made possible by daily E-mail communication between Moscow and New York and by the relationships that have been built between staffs and boards of both organizations. In the future, it is hoped that the two organizations will share a common board of directors.*

*The Space Flight Europe America 500 project, co-sponsored by FSI and the Central Special Construction Bureau and endorsed by the Russian Parliament and the Mayor of Seattle, Washington, will launch a rocket (nicknamed "From Russia with Love") which will take off from the military spaceport of Plesetsk and land in international waters near Seattle on Thanksgiving Day 1992 -- in FSI's own words, "ushering in a new era of technical and economic cooperation."*

## ISAR

*In 1989, ISAR (formerly the Institute for Soviet-American Relations) began to create an informal network of U.S. NGOs involved in joint activities in the Soviet Union. In 1990, ISAR established contact with the Socio-Ecological Union (SEU), the largest network of environmental NGOs in the USSR. The initial contact blossomed into a partnership involving many SEU member groups which focuses on improving communications between groups in the United States and the NIS. Together ISAR and SEU have established an electronic mail network linking grassroots groups throughout the former republics that now includes over 30 e-mail stations in 13 of the 15 republics. In addition, ISAR has opened an International Clearinghouse on the Environment (ICE) with offices in Washington and Moscow to facilitate joint NGO activities and the sharing of information on environmental issues.*

## International Physicians for Prevention of Nuclear War (IPPNW)

*Created in 1980 as a knowledge bridge between Russian and U.S. physicians IPPNW has now emerged as an international NGO. In less than five years after their linkage was created, the Nobel Committee awarded IPPNW the Nobel Peace Prize for its service to all mankind in "creating an awareness of the catastrophic consequences of atomic warfare."*

Today, this counterpart organization has turned its attention to longer term international health concerns and is soon to be launching a satellite -- "The Satellite Project" -- that will have all of the world's most up-to-date diagnostic information on it. Most importantly, this information will be easily accessed, even in the most remote rural areas, by the use of a simple hand-held device -- making knowledge available to the places most in need, including all developing countries.

### Twin Cities/Sister Cities

"Twin Cities" International Association is dedicated to the overall development of the sister cities movement in Russia and other sovereign states within the territory of the former Soviet Union, serving the interests of the people living in these cities. Established as a totally independent, self-financing and independently governed organization in 1991, Twin Cities International is the Russian counterpart to Sister Cities International/USA in a joint U.S.I.A.-sponsored "Municipal Education and Training Program for U.S.-C.I.S. Sister Cities." Under this program, training to sister city counterparts in the C.I.S. is related to forming skills that are required for the development of self-government, democratic processes and market economies.

### World Vision Relief and Development

World Vision's innovative relief and development activities in Romania to address the plight of some 140,000 infants and children languishing in ill equipped and understaffed institutions, provides a dramatic illustration of knowledge alliance and co-generation.

Their strategy called for a vast set of knowledge links between counterpart universities and PVOs/NGOs. One such linkage transformed a series of orphanages immediately. In one effort, almost overnight, the empty libraries of Romania's medical schools were brought up-to-date, with simple PC and CD-REM technologies providing the past 50 years of pediatric information and journals. The impact was tremendous. It not only resulted in better linkage with a number of U.S. pediatric centers, but also became the basis for a first time linkage between the Romanian medical students and the orphanages. The culture of silence surrounding the children would be broken forever.<sup>7</sup>

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<sup>7</sup> See Cooperrider, D. and Bilimoria, D. "The Challenge of Global Change for Strategic Management: Opportunities for Charting a New Course." In Advances in Strategic Management, 1992

# **RECOMMENDATIONS**

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## **FOR US GOVERNMENT OFFICIALS:**

- That the 103rd Congress and the new Administration support the public/private partnership, identifying civil society organizations (private voluntary and business) as key facilitators for a successful transition from totalitarianism to democracy;
- That the USG and Congress recognize the role of U.S. PVOs as more than purveyors of "food and humanitarian assistance" which meet shorter term needs, but also as uniquely American instruments for sharing of technical and cooperative assistance to address the longer-term issues of development in the CIS;
- That the Agency for International Development support, strengthen and expand the field activities of U.S. PVOs, in program areas consistent with U.S. Government policies and priorities;
- That the Agency for International Development include a component designed to assist U.S. PVOs to further professionalize their own management systems and technical backstopping of their field programs in the former Soviet Union.

In addition, most of the following recommendations pertaining to Ukraine and the Russian Federation are a synthesis of those cited in the "SECTOR OBSERVATIONS" section of this report. For a clearer understanding of the rationale behind them please refer to the SECTOR OBSERVATIONS.

### ***Recommendation 1***

The VEST team supports the recommendation of the State Department: "What these new independent states need more than anything else...is knowledge: how to build democratic institutions, how to operate in a free market economy."

### ***Recommendation 2***

In order to successfully effect Recommendation 1, what is needed is a new foreign assistance paradigm -- a paradigm of reciprocity -- an approach based on the assumption of co-equal partnership and that sees knowledge co-generation and mutual investment and respect as the true capital of development

### ***Recommendation 3***

Facilitation of private voluntary action and the strengthening of civil society institutions is necessary to generate a successful transition to democracy. Civil society institutions include:

- \* advocacy groups
- \* charitable organizations
- \* independent media
- \* micro and small enterprises
- \* information clearinghouses
- \* business, labor, trade and educational associations

### ***Recommendation 4***

U.S. PVOs have the capacity to become a knowledge bridge for our Ukrainian and Russian counterparts -- facilitating dialogue, networking and technical cooperation -- to accelerate and strengthen the development of a viable civil society, and the foundation for a stable democracy

#### ***Sub-recommendations:***

Networking, linkages, partnerships, and creative alliances with Ukrainian and Russian counterparts should be fostered and nurtured and supported by private and public donors

Internship opportunities should be explored, and supported by public and private donors

Grants for Ukrainian and Russian NGO development and capacity building should be a high priority for private and public donors

### ***Recommendation 5***

U.S. PVOs are uniquely qualified to be agents of change within newly emerging civil societies, helping their NIS counterparts formulate options and priorities in sectoral activities vital to the improvement of the quality of life and the flourishing of democracy and free markets

#### ***Sub-recommendations:***

Capacity building for Ukrainian and Russian NGOs should include training in:

- |                           |                     |
|---------------------------|---------------------|
| *leadership               | *procurement        |
| *management               | *marketing          |
| *financial accountability | *strategic planning |
| *communications           | *fundraising        |
| *computer skills          | *law                |
| *customer service         | *advocacy           |

### ***Recommendation 6***

A Counterpart Service Center should be established in both Ukraine and Russia to do the following:

#### **Become a Clearinghouse and Facilitate:**

- \*linkages between Ukrainian/Russian NGOs and US PVOs/NGOs
- \*technical cooperation and management training services
- \*access to exchange and internship programs
- \*access to expertise on program planning, proposal development and funding
- \*access to informational networks

**Pioneer** a new era of technical cooperation between U.S. PVOs and Ukrainian/Russian NGOs based on the assumption of equal partnership and knowledge co-generation

**Attract increased resource flows** from the U.S. PVO, foundation and cooperative communities to complement A.I.D. flows and speed up the pace of technical cooperation with Ukrainian/Russian counterparts

### ***Recommendation 7***

Development and enactment of legislation to provide a statutory basis for the organization and operation of NGOs must be a high priority for civil society governance.

#### ***Sub-recommendations:***

Development of a model law governing NGOs, and accompanying materials

Development and dissemination of materials explaining the role of law in a democratic and pluralistic society as well as the role of NGOs

Development of materials explaining the concepts of NGO law for the benefit of NIS lawyers

Conferences and seminars, utilizing these materials, for the purpose of providing training on NGO legal concepts for lawyers and others in the NIS

An information clearinghouse should be created to provide information and expertise on legal matters

# Hundred Second Congress of the United States of America

## AT THE SECOND SESSION

*Begun and held at the City of Washington on Friday, the third day of January,  
one thousand nine hundred and ninety-two*

### An Act

To provide for improved energy efficiency.

*Be it enacted by the Senate and House of Representatives of  
the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Energy Policy Act of 1992".

(b) TABLE OF CONTENTS.—

#### TITLE I—ENERGY EFFICIENCY

##### Subtitle A—Buildings

- Sec. 101. Building energy efficiency standards.
- Sec. 102. Residential energy efficiency ratings.
- Sec. 103. Energy efficient lighting and building centers.
- Sec. 104. Manufactured housing energy efficiency.
- Sec. 105. Energy efficient mortgages.
- Sec. 106. Energy efficient mortgages pilot program.

##### Subtitle B—Utilities

- Sec. 111. Encouragement of investments in conservation and energy efficiency by electric utilities.
- Sec. 112. Energy efficiency grants to State regulatory authorities.
- Sec. 113. Tennessee Valley Authority least-cost planning program.
- Sec. 114. Amendment of Hoover Power Plant Act.
- Sec. 115. Encouragement of investments in conservation and energy efficiency by gas utilities.

##### Subtitle C—Appliance and Equipment Energy Efficiency Standards

- Sec. 121. Energy efficiency labeling for windows and window systems.
- Sec. 122. Energy conservation requirements for certain commercial and industrial equipment.
- Sec. 123. Energy conservation requirements for certain lamps and plumbing products.
- Sec. 124. High-intensity discharge lamps, distribution transformers, and small electric motors.
- Sec. 125. Energy efficiency information for commercial office equipment.
- Sec. 126. Energy efficiency information for luminaires.
- Sec. 127. Report on the potential of cooperative advanced appliance development.
- Sec. 128. Evaluation of utility early replacement programs for appliances.

##### Subtitle D—Industrial

- Sec. 131. Energy efficiency in industrial facilities.
- Sec. 132. Process-oriented industrial energy efficiency.
- Sec. 133. Industrial insulation and audit guidelines.

##### Subtitle E—State and Local Assistance

- Sec. 141. Amendments to State energy conservation program.
- Sec. 142. Amendments to low-income weatherization program.
- Sec. 143. Energy Extension Service program.

##### Subtitle F—Federal Agency Energy Management

- Sec. 151. Definitions.
- Sec. 152. Federal energy management amendments.
- Sec. 153. General Services Administration Federal Buildings Fund.
- Sec. 154. Report by General Services Administration.
- Sec. 155. Energy savings performance contracts.

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Subtitle A—Electric Motor Vehicle Commercial Demonstration Program

- Sec. 611. Program and solicitation.
- Sec. 612. Selection of proposals.
- Sec. 613. Discount payments.
- Sec. 614. Cost-sharing.
- Sec. 615. Reports to Congress.
- Sec. 616. Authorization of appropriations.

Subtitle B—Electric Motor Vehicle Infrastructure and Support Systems Development Program

- Sec. 621. General authority.
- Sec. 622. Proposals.
- Sec. 623. Protection of proprietary information.
- Sec. 624. Compliance with existing law.
- Sec. 625. Electric utility participation study.
- Sec. 626. Authorization of appropriations.

TITLE VII—ELECTRICITY

Subtitle A—Exempt Wholesale Generators

- Sec. 711. Public Utility Holding Company Act reform.
- Sec. 712. State consideration of the effects of power purchases on utility cost of capital; consideration of the effects of leveraged capital structures on the reliability of wholesale power sellers; and consideration of adequate fuel supplies.
- Sec. 713. Public utility holding companies to own interests in cogeneration facilities.
- Sec. 714. Books and records.
- Sec. 715. Investment in foreign utilities.

Subtitle B—Federal Power Act; Interstate Commerce in Electricity

- Sec. 721. Amendments to section 211 of Federal Power Act.
- Sec. 722. Transmission services.
- Sec. 723. Information requirements.
- Sec. 724. Sales by exempt wholesale generators.
- Sec. 725. Penalties.
- Sec. 726. Definitions.

Subtitle C—State and Local Authorities

- Sec. 731. State authorities.

TITLE VIII—HIGH-LEVEL RADIOACTIVE WASTE

- Sec. 801. Nuclear waste disposal.
- Sec. 802. Office of the Nuclear Waste Negotiator.
- Sec. 803. Nuclear Waste Management Plan.

TITLE IX—UNITED STATES ENRICHMENT CORPORATION

- Sec. 901. Establishment of the United States Enrichment Corporation.
- Sec. 902. Conforming amendments and repealers.
- Sec. 903. Restrictions on nuclear exports.
- Sec. 904. Severability.

TITLE X—REMEDIAL ACTION AND URANIUM REVITALIZATION

Subtitle A—Remedial Action at Active Processing Sites

- Sec. 1001. Remedial action program.
- Sec. 1002. Regulations.
- Sec. 1003. Authorization of appropriations.
- Sec. 1004. Definitions.

Subtitle B—Uranium Revitalization

- Sec. 1011. Overfeed program.
- Sec. 1012. National Strategic Uranium Reserve.
- Sec. 1013. Sale of remaining DOE inventories.
- Sec. 1014. Responsibility for the industry.
- Sec. 1015. Annual uranium purchase reports.
- Sec. 1016. Uranium inventory study.
- Sec. 1017. Regulatory treatment of uranium purchases.
- Sec. 1018. Definitions.

Subtitle C—Remedial Action at Inactive Processing Sites

Sec. 1031. Uranium Mill Tailings Radiation Control Act extension.

TITLE XI—URANIUM ENRICHMENT HEALTH, SAFETY, AND ENVIRONMENT ISSUES

Sec. 1101. Uranium enrichment health, safety, and environment issues.

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For purposes of this Act, the term "Secretary" means the Secretary of Energy.

## TITLE I—ENERGY EFFICIENCY

### Subtitle A—Buildings

#### SEC. 101. BUILDING ENERGY EFFICIENCY STANDARDS.

(a) IN GENERAL.—Title III of the Energy Conservation and Production Act (42 U.S.C. 6831 et seq.) is amended—

(1) in section 303—

(A) by striking paragraph (9);

(B) by redesignating paragraphs (10), (11), (12), and (13) as paragraphs (9), (10), (11), and (12), respectively; and

(C) by adding at the end the following new paragraphs—

"(13) The term 'Federal building energy standards' means energy consumption objectives to be met without specification of the methods, materials, or equipment to be employed in achieving those objectives, but including statements of the requirements, criteria, and evaluation methods to be used, and any necessary commentary.

"(14) The term 'voluntary building energy code' means a building energy code developed and updated through a consen-

and development activities conducted pursuant to such activities, including joint venture activities, is for the benefit of the participants (particularly domestic companies) that provide financial resources to a project under this title, the Secretary, for a period of up to 5 years after the development of information that—

(1) results from research and development activities conducted under this title; and

(2) would be a trade secret or commercial or financial information that is privileged or confidential if the information had been obtained from a participant, shall, notwithstanding any other provision of law, provide appropriate protections against the dissemination of such information to the public, and the provisions of section 1905 of title 18, United States Code, shall apply to such information. Nothing in this subsection provides protections against the dissemination of such information to Congress.

(b) DEFINITION.—For purposes of subsection (a), the term "domestic companies" means entities which are substantially involved in the United States in the domestic production of motor vehicles for sale in the United States and have a substantial percentage of their production facilities in the United States.

#### SEC. 624. COMPLIANCE WITH EXISTING LAW.

Nothing in this title shall be deemed to convey to any person, partnership, corporation, or other entity, immunity from civil or criminal liability under any antitrust law or to create defenses to actions under any antitrust law.

#### SEC. 625. ELECTRIC UTILITY PARTICIPATION STUDY.

The Secretary, in consultation with appropriate Federal agencies, representatives of State regulatory commissions and electric utilities, and such other persons as the Secretary considers appropriate, shall undertake or cause to have undertaken a study to determine the means by which electric utilities may invest in, own, sell, lease, service, or recharge batteries used to power electric motor vehicles.

#### SEC. 626. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to the Secretary for purposes of this subtitle \$40,000,000 for the 5-year period beginning with the first full fiscal year after the date of enactment of this Act, to remain available until expended.

## TITLE VII—ELECTRICITY

### Subtitle A—Exempt Wholesale Generators

#### SEC. 711. PUBLIC UTILITY HOLDING COMPANY ACT REFORM.

The Public Utility Holding Company Act of 1935 (15 U.S.C. 79 and following) is amended by redesignating sections 32 and 33 as sections 34 and 35 respectively and by adding the following new section after section 31:

#### "SEC. 32. EXEMPT WHOLESALE GENERATORS.

"(a) DEFINITIONS.—For purposes of this section—

"(1) EXEMPT WHOLESALE GENERATOR.—The term 'exempt wholesale generator' means any person determined by the Fed-

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eral Energy Regulatory Commission to be engaged directly, or indirectly through one or more affiliates as defined in section 2(a)(11)(B), and exclusively in the business of owning or operating, or both owning and operating, all or part of one or more eligible facilities and selling electric energy at wholesale. No person shall be deemed to be an exempt wholesale generator under this section unless such person has applied to the Federal Energy Regulatory Commission for a determination under this paragraph. A person applying in good faith for such a determination shall be deemed an exempt wholesale generator under this section, with all of the exemptions provided by this section, until the Federal Energy Regulatory Commission makes such determination. The Federal Energy Regulatory Commission shall make such determination within 60 days of its receipt of such application and shall notify the Commission whenever a determination is made under this paragraph that any person is an exempt wholesale generator. Not later than 12 months after the date of enactment of this section, the Federal Energy Regulatory Commission shall promulgate rules implementing the provisions of this paragraph. Applications for determination filed after the effective date of such rules shall be subject thereto.

**"(2) ELIGIBLE FACILITY.**—The term 'eligible facility' means a facility, wherever located, which is either—

**"(A)** used for the generation of electric energy exclusively for sale at wholesale, or

**"(B)** used for the generation of electric energy and leased to one or more public utility companies; *Provided*, That any such lease shall be treated as a sale of electric energy at wholesale for purposes of sections 205 and 206 of the Federal Power Act.

Such term shall not include any facility for which consent is required under subsection (c) if such consent has not been obtained. Such term includes interconnecting transmission facilities necessary to effect a sale of electric energy at wholesale. For purposes of this paragraph, the term 'facility' may include a portion of a facility subject to the limitations of subsection (d) and shall include a facility the construction of which has not been commenced or completed.

**"(3) SALE OF ELECTRIC ENERGY AT WHOLESALE.**—The term 'sale of electric energy at wholesale' shall have the same meaning as provided in section 201(d) of the Federal Power Act (16 U.S.C. 824(d)).

**"(4) RETAIL RATES AND CHARGES.**—The term 'retail rates and charges' means rates and charges for the sale of electric energy directly to consumers.

**"(b) FOREIGN RETAIL SALES.**—Notwithstanding paragraphs (1) and (2) of subsection (a), retail sales of electric energy produced by a facility located in a foreign country shall not prevent such facility from being an eligible facility, or prevent a person owning or operating, or both owning and operating, such facility from being an exempt wholesale generator if none of the electric energy generated by such facility is sold to consumers in the United States.

**"(c) STATE CONSENT FOR EXISTING RATE-BASED FACILITIES.**—If a rate or charge for, or in connection with, the construction of a facility, or for electric energy produced by a facility (other than any portion of a rate or charge which represents recovery

of the cost of a wholesale rate or charge) was in effect under the laws of any State as of the date of enactment of this section, in order for the facility to be considered an eligible facility, every State commission having jurisdiction over any such rate or charge must make a specific determination that allowing such facility to be an eligible facility (1) will benefit consumers, (2) is in the public interest, and (3) does not violate State law; *Provided*, That in the case of such a rate or charge which is a rate or charge of an affiliate of a registered holding company:

"(A) such determination with respect to the facility in question shall be required from every State commission having jurisdiction over the retail rates and charges of the affiliates of such registered holding company; and

"(B) the approval of the Commission under this Act shall not be required for the transfer of the facility to an exempt wholesale generator.

"(d) **HYBRIDS.**—(1) No exempt wholesale generator may own or operate a portion of any facility if any other portion of the facility is owned or operated by an electric utility company that is an affiliate or associate company of such exempt wholesale generator.

"(2) **ELIGIBLE FACILITY.**—Notwithstanding paragraph (1), an exempt wholesale generator may own or operate a portion of a facility identified in paragraph (1) if such portion has become an eligible facility as a result of the operation of subsection (c).

"(e) **EXEMPTION OF EWGS.**—An exempt wholesale generator shall not be considered an electric utility company under section 2(a)(3) of this Act and, whether or not a subsidiary company, an affiliate, or an associate company of a holding company, an exempt wholesale generator shall be exempt from all provisions of this Act.

"(f) **OWNERSHIP OF EWGS BY EXEMPT HOLDING COMPANIES.**—Notwithstanding any provision of this Act, a holding company that is exempt under section 3 of this Act shall be permitted, without condition or limitation under this Act, to acquire and maintain an interest in the business of one or more exempt wholesale generators.

"(g) **OWNERSHIP OF EWGS BY REGISTERED HOLDING COMPANIES.**—Notwithstanding any provision of this Act and the Commission's jurisdiction as provided under subsection (h) of this section, a registered holding company shall be permitted (without the need to apply for, or receive, approval from the Commission, and otherwise without condition under this Act) to acquire and hold the securities, or an interest in the business, of one or more exempt wholesale generators.

"(h) **FINANCING AND OTHER RELATIONSHIPS BETWEEN EWGS AND REGISTERED HOLDING COMPANIES.**—The issuance of securities by a registered holding company for purposes of financing the acquisition of an exempt wholesale generator, the guarantee of securities of an exempt wholesale generator by a registered holding company, the entering into service, sales or construction contracts, and the creation or maintenance of any other relationship in addition to that described in subsection (g) between an exempt wholesale generator and a registered holding company, its affiliates and associate companies, shall remain subject to the jurisdiction of the Commission under this Act: *Provided*, That—



"(1) section 11 of this Act shall not prohibit the ownership of an interest in the business of one or more exempt wholesale generators by a registered holding company (regardless of where facilities owned or operated by such exempt wholesale generators are located), and such ownership by a registered holding company shall be deemed consistent with the operation of an integrated public utility system;

"(2) the ownership of an interest in the business of one or more exempt wholesale generators by a registered holding company (regardless of where facilities owned or operated by such exempt wholesale generators are located) shall be considered as reasonably incidental, or economically necessary or appropriate, to the operations of an integrated public utility system;

"(3) in determining whether to approve (A) the issue or sale of a security by a registered holding company for purposes of financing the acquisition of an exempt wholesale generator, or (B) the guarantee of a security of an exempt wholesale generator by a registered holding company, the Commission shall not make a finding that such security is not reasonably adapted to the earning power of such company or to the security structure of such company and other companies in the same holding company system, or that the circumstances are such as to constitute the making of such guarantee an improper risk for such company, unless the Commission first finds that the issue or sale of such security, or the making of the guarantee, would have a substantial adverse impact on the financial integrity of the registered holding company system;

"(4) in determining whether to approve (A) the issue or sale of a security by a registered holding company for purposes other than the acquisition of an exempt wholesale generator, or (B) other transactions by such registered holding company or by its subsidiaries other than with respect to exempt wholesale generators, the Commission shall not consider the effect of the capitalization or earnings of any subsidiary which is an exempt wholesale generator upon the registered holding company system, unless the approval of the issue or sale or other transaction, together with the effect of such capitalization and earnings, would have a substantial adverse impact on the financial integrity of the registered holding company system;

"(5) the Commission shall make its decision under paragraph (3) to approve or disapprove the issue or sale of a security or the guarantee of a security within 120 days of the filing of a declaration concerning such issue, sale or guarantee; and

"(6) the Commission shall promulgate regulations with respect to the actions which would be considered, for purposes of this subsection, to have a substantial adverse impact on the financial integrity of the registered holding company system; such regulations shall ensure that the action has no adverse impact on any utility subsidiary or its customers, or on the ability of State commissions to protect such subsidiary or customers, and shall take into account the amount and type of capital invested in exempt wholesale generators, the ratio of such capital to the total capital invested in utility operations, the availability of books and records, and the financial and operating experience of the registered holding company

and the exempt wholesale generator; the Commission shall promulgate such regulations within 6 months after the enactment of this section; after such 6-month period the Commission shall not approve any actions under paragraph (3), (4) or (5) except in accordance with such issued regulations.

"(i) APPLICATION OF ACT TO OTHER ELIGIBLE FACILITIES.—In the case of any person engaged directly and exclusively in the business of owning or operating (or both owning and operating) all or part of one or more eligible facilities, an advisory letter issued by the Commission staff under this Act after the date of enactment of this section, or an order issued by the Commission under this Act after the date of enactment of this section, shall not be required for the purpose, or have the effect, of exempting such person from treatment as an electric utility company under section 2(a)(3) or exempting such person from any provision of this Act.

"(j) OWNERSHIP OF EXEMPT WHOLESALE GENERATORS AND QUALIFYING FACILITIES.—The ownership by a person of one or more exempt wholesale generators shall not result in such person being considered as being primarily engaged in the generation or sale of electric power within the meaning of sections 3(17)(C)(ii) and 3(18)(B)(ii) of the Federal Power Act (16 U.S.C. 796(17)(C)(ii) and 796(18)(B)(ii)).

"(k) PROTECTION AGAINST ABUSIVE AFFILIATE TRANSACTIONS.—

"(1) PROHIBITION.—After the date of enactment of this section, an electric utility company may not enter into a contract to purchase electric energy at wholesale from an exempt wholesale generator if the exempt wholesale generator is an affiliate or associate company of the electric utility company.

"(2) STATE AUTHORITY TO EXEMPT FROM PROHIBITION.—Notwithstanding paragraph (1), an electric utility company may enter into a contract to purchase electric energy at wholesale from an exempt wholesale generator that is an affiliate or associate company of the electric utility company—

"(A) if every State commission having jurisdiction over the retail rates of such electric utility company makes each of the following specific determinations in advance of the electric utility company entering into such contract:

"(i) A determination that such commission has sufficient regulatory authority, resources and access to books and records of the electric utility company and any relevant associate, affiliate or subsidiary company to exercise its duties under this subparagraph.

"(ii) A determination that the transaction—

"(I) will benefit consumers,

"(II) does not violate any State law (including where applicable, least cost planning),

"(III) would not provide the exempt wholesale generator any unfair competitive advantage by virtue of its affiliation or association with the electric utility company, and

"(IV) is in the public interest; or

"(B) if such electric utility company is not subject to State commission retail rate regulation and the purchased electric energy:

"(i) would not be resold to any affiliate or associate company, or

"(ii) the purchased electric energy would be resold to an affiliate or associate company and every State commission having jurisdiction over the retail rates of such affiliate or associate company makes each of the determinations provided under subparagraph (A), including the determination concerning a State commission's duties.

"(1) **RECIPROCAL ARRANGEMENTS PROHIBITED.**—Reciprocal arrangements among companies that are not affiliates or associate companies of each other that are entered into in order to avoid the provisions of this section are prohibited."

**SEC. 712. STATE CONSIDERATION OF THE EFFECTS OF POWER PURCHASES ON UTILITY COST OF CAPITAL; CONSIDERATION OF THE EFFECTS OF LEVERAGED CAPITAL STRUCTURES ON THE RELIABILITY OF WHOLESALE POWER SELLERS; AND CONSIDERATION OF ADEQUATE FUEL SUPPLIES.**

Section 111 of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2001 and following) is amended by inserting the following new paragraph after paragraph (9):

"(10) **CONSIDERATION OF THE EFFECTS OF WHOLESALE POWER PURCHASES ON UTILITY COST OF CAPITAL; EFFECTS OF LEVERAGED CAPITAL STRUCTURES ON THE RELIABILITY OF WHOLESALE POWER SELLERS; AND ASSURANCE OF ADEQUATE FUEL SUPPLIES.**—(A) To the extent that a State regulatory authority requires or allows electric utilities for which it has ratemaking authority to consider the purchase of long-term wholesale power supplies as a means of meeting electric demand, such authority shall perform a general evaluation of:

"(i) the potential for increases or decreases in the costs of capital for such utilities, and any resulting increases or decreases in the retail rates paid by electric consumers, that may result from purchases of long-term wholesale power supplies in lieu of the construction of new generation facilities by such utilities;

"(ii) whether the use by exempt wholesale generators (as defined in section 32 of the Public Utility Holding Company Act of 1935) of capital structures which employ proportionally greater amounts of debt than the capital structures of such utilities threatens reliability or provides an unfair advantage for exempt wholesale generators over such utilities;

"(iii) whether to implement procedures for the advance approval or disapproval of the purchase of a particular long-term wholesale power supply; and

"(iv) whether to require as a condition for the approval of the purchase of power that there be reasonable assurances of fuel supply adequacy.

"(B) For purposes of implementing the provisions of this paragraph, any reference contained in this section to the date of enactment of the Public Utility Regulatory Policies Act of 1978 shall be deemed to be a reference to the date of enactment of this paragraph.

"(C) Notwithstanding any other provision of Federal law, nothing in this paragraph shall prevent a State regulatory authority from taking such action, including action with respect to the allowable capital structure of exempt wholesale genera-

tors, as such State regulatory authority may determine to be in the public interest as a result of performing evaluations under the standards of subparagraph (A).

"(D) Notwithstanding section 124 and paragraphs (1) and (2) of section 112(a), each State regulatory authority shall consider and make a determination concerning the standards of subparagraph (A) in accordance with the requirements of subsections (a) and (b) of this section, without regard to any proceedings commenced prior to the enactment of this paragraph.

"(E) Notwithstanding subsections (b) and (c) of section 112, each State regulatory authority shall consider and make a determination concerning whether it is appropriate to implement the standards set out in subparagraph (A) not later than one year after the date of enactment of this paragraph."

**SEC. 713. PUBLIC UTILITY HOLDING COMPANIES TO OWN INTERESTS IN COGENERATION FACILITIES.**

Public Law 99-186 (99 Stat. 1180, as amended by Public Law 99-553, 100 Stat. 3087), is amended to read as follows:

"SECTION 1. Notwithstanding section 11(b)(1) of the Public Utility Holding Company Act of 1935, a company registered under said Act, or a subsidiary company of such registered company, may acquire or retain, in any geographic area, an interest in any qualifying cogeneration facilities and qualifying small power production facilities as defined pursuant to the Public Utility Regulatory Policies Act of 1978, and shall qualify for any exemption relating to the Public Utility Holding Company Act of 1935 prescribed pursuant to section 210 of the Public Utility Regulatory Policies Act of 1978.

"SEC. 2. Nothing herein shall be construed to affect the applicability of section 3(17)(C) or section 3(18)(B) of the Federal Power Act or any provision of the Public Utility Holding Company Act of 1935, other than section 11(b)(1), to the acquisition or retention of any such interest by any such company."

**SEC. 714. BOOKS AND RECORDS.**

Section 201 of the Federal Power Act is amended by adding the following new subsection at the end thereof:

"(g) BOOKS AND RECORDS.—(1) Upon written order of a State commission, a State commission may examine the books, accounts, memoranda, contracts, and records of—

"(A) an electric utility company subject to its regulatory authority under State law,

"(B) any exempt wholesale generator selling energy at wholesale to such electric utility, and

"(C) any electric utility company, or holding company thereof, which is an associate company or affiliate of an exempt wholesale generator which sells electric energy to an electric utility company referred to in subparagraph (A), wherever located, if such examination is required for the effective discharge of the State commission's regulatory responsibilities affecting the provision of electric service.

"(2) Where a State commission issues an order pursuant to paragraph (1), the State commission shall not publicly disclose trade secrets or sensitive commercial information.

"(3) Any United States district court located in the State in which the State commission referred to in paragraph (1) is located shall have jurisdiction to enforce compliance with this subsection.

"(4) Nothing in this section shall—

"(A) preempt applicable State law concerning the provision of records and other information; or

"(B) in any way limit rights to obtain records and other information under Federal law, contracts, or otherwise.

"(5) As used in this subsection the terms 'affiliate', 'associate company', 'electric utility company', 'holding company', 'subsidiary company', and 'exempt wholesale generator' shall have the same meaning as when used in the Public Utility Holding Company Act of 1935."

#### SEC. 715. INVESTMENT IN FOREIGN UTILITIES.

The Public Utility Holding Company Act of 1935 (15 U.S.C. 79 et seq.) is amended by inserting after section 32 the following new section:

#### "SEC. 33. TREATMENT OF FOREIGN UTILITIES.

"(a) EXEMPTIONS FOR FOREIGN UTILITY COMPANIES.—

"(1) IN GENERAL.—A foreign utility company shall be exempt from all of the provisions of this Act, except as otherwise provided under this section, and shall not, for any purpose under this Act, be deemed to be a public utility company under section 2(a)(5), notwithstanding that the foreign utility company may be a subsidiary company, an affiliate, or an associate company of a holding company or of a public utility company.

"(2) STATE COMMISSION CERTIFICATION.—Section (a)(1) shall not apply or be effective unless every State commission having jurisdiction over the retail electric or gas rates of a public utility company that is an associate company or an affiliate of a company otherwise exempted under section (a)(1) (other than a public utility company that is an associate company or an affiliate of a registered holding company) has certified to the Commission that it has the authority and resources to protect ratepayers subject to its jurisdiction and that it intends to exercise its authority. Such certification, upon the filing of a notice by such State commission, may be revised or withdrawn by the State commission prospectively as to any future acquisition. The requirement of State certification shall be deemed satisfied if the relevant State commission had, prior to the date of enactment of this section, on the basis of prescribed conditions of general applicability, determined that ratepayers of a public utility company are adequately insulated from the effects of diversification and the diversification would not impair the ability of the State commission to regulate effectively the operations of such company.

"(3) DEFINITION.—For purposes of this section, the term 'foreign utility company' means any company that—

"(A) owns or operates facilities that are not located in any State and that are used for the generation, transmission, or distribution of electric energy for sale or the distribution at retail of natural or manufactured gas for heat, light, or power, if such company—

"(i) derives no part of its income, directly or indirectly, from the generation, transmission, or dis-

tribution of electric energy for sale or the distribution at retail of natural or manufactured gas for heat, light, or power, within the United States; and

"(ii) neither the company nor any of its subsidiary companies is a public utility company operating in the United States; and

"(B) provides notice to the Commission, in such form as the Commission may prescribe, that such company is a foreign utility company.

"(b) OWNERSHIP OF FOREIGN UTILITY COMPANIES BY EXEMPT HOLDING COMPANIES.—Notwithstanding any provision of this Act except as provided under this section, a holding company that is exempt under section 3 of the Act shall be permitted without condition or limitation under the Act to acquire and maintain an interest in the business of one or more foreign utility companies.

"(c) REGISTERED HOLDING COMPANIES.—

"(1) OWNERSHIP OF FOREIGN UTILITY COMPANIES BY REGISTERED HOLDING COMPANIES.—Notwithstanding any provision of this Act except as otherwise provided under this section, a registered holding company shall be permitted as of the date of enactment of this section (without the need to apply for, or receive approval from the Commission) to acquire and hold the securities or an interest in the business, of one or more foreign utility companies. The Commission shall promulgate rules or regulations regarding registered holding companies' acquisition of interests in foreign utility companies which shall provide for the protection of the customers of a public utility company which is an associate company of a foreign utility company and the maintenance of the financial integrity of the registered holding company system.

"(2) ISSUANCE OF SECURITIES.—The issuance of securities by a registered holding company for purposes of financing the acquisition of a foreign utility company, the guarantee of securities of a foreign utility company by a registered holding company, the entering into service, sales, or construction contracts, and the creation or maintenance of any other relationship between a foreign utility company and a registered holding company, its affiliates and associate companies, shall remain subject to the jurisdiction of the Commission under this Act (unless otherwise exempted under this Act, in the case of a transaction with an affiliate or associate company located outside of the United States). Any State commission with jurisdiction over the retail rates of a public utility company which is part of a registered holding company system may make such recommendations to the Commission regarding the registered holding company's relationship to a foreign utility company, and the Commission shall reasonably and fully consider such State recommendation.

"(3) CONSTRUCTION.—Any interest in the business of 1 or more foreign utility companies, or 1 or more companies organized exclusively to own, directly or indirectly, the securities or other interest in a foreign utility company, shall for all purposes of this Act, be considered to be—

"(A) consistent with the operation of a single integrated public utility system, within the meaning of section 11; and

"(B) reasonably incidental, or economically necessary or appropriate, to the operations of an integrated public utility system, within the meaning of section 11.

"(d) EFFECT ON EXISTING LAW; NO STATE PREEMPTION.—Nothing in this section shall—

"(1) preclude any person from qualifying for or maintaining any exemption otherwise provided for under this Act or the rules, regulations, or orders promulgated or issued under this Act; or

"(2) be deemed or construed to limit the authority of any State (including any State regulatory authority) with respect to—

"(A) any public utility company or holding company subject to such State's jurisdiction; or

"(B) any transaction between any foreign utility company (or any affiliate or associate company thereof) and any public utility company or holding company subject to such State's jurisdiction.

"(e) REPORTING REQUIREMENTS.—

"(1) FILING OF REPORTS.—A public utility company that is an associate company of a foreign utility company shall file with the Commission such reports (with respect to such foreign utility company) as the Commission may by rules, regulations, or order prescribe as necessary or appropriate in the public interest or for the protection of investors or consumers.

"(2) NOTICE OF ACQUISITIONS.—Not later than 30 days after the consummation of the acquisition of an interest in a foreign utility company by an associate company of a public utility company that is subject to the jurisdiction of a State commission with respect to its retail electric or gas rates or by such public utility company, such associate company or such public utility company, shall provide notice of such acquisition to every State commission having jurisdiction over the retail electric or gas rates of such public utility company, in such form as may be prescribed by the State commission.

"(f) PROHIBITION ON ASSUMPTION OF LIABILITIES.—

"(1) IN GENERAL.—No public utility company that is subject to the jurisdiction of a State commission with respect to its retail electric or gas rates shall issue any security for the purpose of financing the acquisition, or for the purposes of financing the ownership or operation, of a foreign utility company, nor shall any such public utility company assume any obligation or liability as guarantor, endorser, surety, or otherwise in respect of any security of a foreign utility company.

"(2) EXCEPTION FOR HOLDING COMPANIES WHICH ARE PREDOMINANTLY PUBLIC UTILITY COMPANIES.—Subsection (f)(1) shall not apply if:

"(A) the public utility company that is subject to the jurisdiction of a State commission with respect to its retail electric or gas rates is a holding company and is not an affiliate under section 2(a)(11)(B) of another holding company or is not subject to regulation as a holding company and has no affiliate as defined in section 2(a)(11)(A) that is a public utility company subject to the jurisdiction of a State commission with respect to its retail electric or gas rates; and

"(B) each State commission having jurisdiction with respect to the retail electric and gas rates of such public utility company expressly permits such public utility to engage in a transaction otherwise prohibited under section (f)(1); and

"(C) the transaction (aggregated with all other then-outstanding transactions exempted under this subsection) does not exceed 5 per centum of the then-outstanding total capitalization of the public utility.

"(g) PROHIBITION ON PLEDGING OR ENCUMBERING UTILITY ASSETS.—No public utility company that is subject to the jurisdiction of a State commission with respect to its retail electric or gas rates shall pledge or encumber any utility assets or utility assets of any subsidiary thereof for the benefit of an associate foreign utility company."

## Subtitle B—Federal Power Act; Interstate Commerce in Electricity

### SEC. 721. AMENDMENTS TO SECTION 211 OF FEDERAL POWER ACT.

Section 211 of the Federal Power Act (16 U.S.C. 824j) is amended as follows:

(1) The first sentence of subsection (a) is amended to read as follows: "Any electric utility, Federal power marketing agency, or any other person generating electric energy for sale for resale, may apply to the Commission for an order under this subsection requiring a transmitting utility to provide transmission services (including any enlargement of transmission capacity necessary to provide such services) to the applicant."

(2) In the second sentence of subsection (a), strike "the Commission may" and all that follows and insert "the Commission may issue such order if it finds that such order meets the requirements of section 212, and would otherwise be in the public interest. No order may be issued under this subsection unless the applicant has made a request for transmission services to the transmitting utility that would be the subject of such order at least 60 days prior to its filing of an application for such order."

(3) Amend subsection (b) to read as follows:

"(b) RELIABILITY OF ELECTRIC SERVICE.—No order may be issued under this section or section 210 if, after giving consideration to consistently applied regional or national reliability standards, guidelines, or criteria, the Commission finds that such order would unreasonably impair the continued reliability of electric systems affected by the order."

(4) In subsection (c)—

(A) Strike out paragraph (1).

(B) In paragraph (2) strike "which requires the electric" and insert "which requires the transmitting".

(C) Strike out paragraphs (3) and (4).

(5) In subsection (d)—

(A) In the first sentence of paragraph (1), strike "electric" and insert "transmitting" in each place it appears.

(B) In the second sentence of paragraph (1) before "and each affected electric utility," insert "each affected transmitting utility,".



(C) In paragraph (3), strike "electric" and insert "transmitting".

(D) Strike the period in subparagraph (B) of paragraph (1) and insert ", or" and after subparagraph (B) insert the following new subparagraph:

"(C) the ordered transmission services require enlargement of transmission capacity and the transmitting utility subject to the order has failed, after making a good faith effort, to obtain the necessary approvals or property rights under applicable Federal, State, and local laws."

#### SEC. 722. TRANSMISSION SERVICES.

Section 212 of the Federal Power Act is amended as follows:

(1) Strike subsections (a) and (b) and insert the following:

"(a) RATES, CHARGES, TERMS, AND CONDITIONS FOR WHOLESALE TRANSMISSION SERVICES.—An order under section 211 shall require the transmitting utility subject to the order to provide wholesale transmission services at rates, charges, terms, and conditions which permit the recovery by such utility of all the costs incurred in connection with the transmission services and necessary associated services, including, but not limited to, an appropriate share, if any, of legitimate, verifiable and economic costs, including taking into account any benefits to the transmission system of providing the transmission service, and the costs of any enlargement of transmission facilities. Such rates, charges, terms, and conditions shall promote the economically efficient transmission and generation of electricity and shall be just and reasonable, and not unduly discriminatory or preferential. Rates, charges, terms, and conditions for transmission services provided pursuant to an order under section 211 shall ensure that, to the extent practicable, costs incurred in providing the wholesale transmission services, and properly allocable to the provision of such services, are recovered from the applicant for such order and not from a transmitting utility's existing wholesale, retail, and transmission customers."

(2) Subsection (e) is amended to read as follows:

"(e) SAVINGS PROVISIONS.—(1) No provision of section 210, 211, 214, or this section shall be treated as requiring any person to utilize the authority of any such section in lieu of any other authority of law. Except as provided in section 210, 211, 214, or this section, such sections shall not be construed as limiting or impairing any authority of the Commission under any other provision of law.

"(2) Sections 210, 211, 213, 214, and this section, shall not be construed to modify, impair, or supersede the antitrust laws. For purposes of this section, the term 'antitrust laws' has the meaning given in subsection (a) of the first sentence of the Clayton Act, except that such term includes section 5 of the Federal Trade Commission Act to the extent that such section relates to unfair methods of competition."

(3) Add the following new subsections at the end thereof:

"(g) PROHIBITION ON ORDERS INCONSISTENT WITH RETAIL MARKETING AREAS.—No order may be issued under this Act which is inconsistent with any State law which governs the retail marketing areas of electric utilities.

"(h) PROHIBITION ON MANDATORY RETAIL WHEELING AND SHAM WHOLESALE TRANSACTIONS.—No order issued under this Act shall be conditioned upon or require the transmission of electric energy:

"(1) directly to an ultimate consumer, or

"(2) to, or for the benefit of, an entity if such electric energy would be sold by such entity directly to an ultimate consumer, unless:

"(A) such entity is a Federal power marketing agency; the Tennessee Valley Authority; a State or any political subdivision of a State (or an agency, authority, or instrumentality of a State or a political subdivision); a corporation or association that has ever received a loan for the purposes of providing electric service from the Administrator of the Rural Electrification Administration under the Rural Electrification Act of 1936; a person having an obligation arising under State or local law (exclusive of an obligation arising solely from a contract entered into by such person) to provide electric service to the public; or any corporation or association which is wholly owned, directly or indirectly, by any one or more of the foregoing; and

"(B) such entity was providing electric service to such ultimate consumer on the date of enactment of this subsection or would utilize transmission or distribution facilities that it owns or controls to deliver all such electric energy to such electric consumer.

Nothing in this subsection shall affect any authority of any State or local government under State law concerning the transmission of electric energy directly to an ultimate consumer."

"(i) LAWS APPLICABLE TO FEDERAL COLUMBIA RIVER TRANSMISSION SYSTEM.—(1) The Commission shall have authority pursuant to section 210, section 211, this section, and section 213 to (A) order the Administrator of the Bonneville Power Administration to provide transmission service and (B) establish the terms and conditions of such service. In applying such sections to the Federal Columbia River Transmission System, the Commission shall assure that—

"(i) the provisions of otherwise applicable Federal laws shall continue in full force and effect and shall continue to be applicable to the system; and

"(ii) the rates for the transmission of electric power on the system shall be governed only by such otherwise applicable provisions of law and not by any provision of section 210, section 211, this section, or section 213, except that no rate for the transmission of power on the system shall be unjust, unreasonable, or unduly discriminatory or preferential, as determined by the Commission.

"(2) Notwithstanding any other provision of this Act with respect to the procedures for the determination of terms and conditions for transmission service—

"(A) when the Administrator of the Bonneville Power Administration either (i) in response to a written request for specific transmission service terms and conditions does not offer the requested terms and conditions, or (ii) proposes to establish terms and conditions of general applicability for transmission service on the Federal Columbia River Transmission System, then the Administrator may provide opportunity for a hearing and, in so doing, shall—

"(I) give notice in the Federal Register and state in such notice the written explanation of the reasons why

the specific terms and conditions for transmission services are not being offered or are being proposed;

"(II) adhere to the procedural requirements of paragraphs (1) through (3) of section 7(i) of the Pacific Northwest Electric Power Planning and Conservation Act (16 U.S.C. 839(i) (1) through (3)), except that the hearing officer shall, unless the hearing officer becomes unavailable to the agency, make a recommended decision to the Administrator that states the hearing officer's findings and conclusions, and the reasons or basis thereof, on all material issues of fact, law, or discretion presented on the record; and

"(III) make a determination, setting forth the reasons for reaching any findings and conclusions which may differ from those of the hearing officer, based on the hearing record, consideration of the hearing officer's recommended decision, section 211 and this section, as amended by the Energy Policy Act of 1992, and the provisions of law as preserved in this section; and

"(B) if application is made to the Commission under section 211 for transmission service under terms and conditions different than those offered by the Administrator, or following the denial of a request for transmission service by the Administrator, and such application is filed within 60 days of the Administrator's final determination and in accordance with Commission procedures, the Commission shall—

"(i) in the event the Administrator has conducted a hearing as herein provided for (I) accord parties to the Administrator's hearing the opportunity to offer for the Commission record materials excluded by the Administrator from the hearing record, (II) accord such parties the opportunity to submit for the Commission record comments on appropriate terms and conditions, (III) afford those parties the opportunity for a hearing if and to the extent that the Commission finds the Administrator's hearing record to be inadequate to support a decision by the Commission, and (IV) establish terms and conditions for or deny transmission service based on the Administrator's hearing record, the Commission record, section 211 and this section, as amended by the Energy Policy Act of 1992, and the provisions of law as preserved in this section, or

"(ii) in the event the Administrator has not conducted a hearing as herein provided for, determine whether to issue an order for transmission service in accordance with section 211 and this section, including providing the opportunity for a hearing.

"(3) Notwithstanding those provisions of section 313(b) of this Act (16 U.S.C. 825l) which designate the court in which review may be obtained, any party to a proceeding concerning transmission service sought to be furnished by the Administrator of the Bonneville Power Administration seeking review of an order issued by the Commission in such proceeding shall obtain a review of such order in the United States Court of Appeals for the Pacific Northwest, as that region is defined by section 3(14) of the Pacific Northwest Electric Power Planning and Conservation Act (16 U.S.C. 839a(14)).

"(4) To the extent the Administrator of the Bonneville Power Administration cannot be required under section 211, as a result of the Administrator's other statutory mandates, either to (A) provide transmission service to an applicant which the Commission would otherwise order, or (B) provide such service under rates, terms, and conditions which the Commission would otherwise require, the applicant shall not be required to provide similar transmission services to the Administrator or to provide such services under similar rates, terms, and conditions.

"(5) The Commission shall not issue any order under section 210, section 211, this section, or section 213 requiring the Administrator of the Bonneville Power Administration to provide transmission service if such an order would impair the Administrator's ability to provide such transmission service to the Administrator's power and transmission customers in the Pacific Northwest, as that region is defined in section 3(14) of the Pacific Northwest Electric Power Planning and Conservation Act (16 U.S.C. 839a(14)), as is needed to assure adequate and reliable service to loads in that region.

"(j) **EQUITABILITY WITHIN TERRITORY RESTRICTED ELECTRIC SYSTEMS.**—With respect to an electric utility which is prohibited by Federal law from being a source of power supply, either directly or through a distributor of its electric energy, outside an area set forth in such law, no order issued under section 211 may require such electric utility (or a distributor of such electric utility) to provide transmission services to another entity if the electric energy to be transmitted will be consumed within the area set forth in such Federal law, unless the order is in furtherance of a sale of electric energy to that electric utility: *Provided, however,* That the foregoing provision shall not apply to any area served at retail by an electric transmission system which was such a distributor on the date of enactment of this subsection and which before October 1, 1991, gave its notice of termination under its power supply contract with such electric utility.

"(k) **ERCOT UTILITIES.**—

"(1) **RATES.**—Any order under section 211 requiring provision of transmission services in whole or in part within ERCOT shall provide that any ERCOT utility which is not a public utility and the transmission facilities of which are actually used for such transmission service is entitled to receive compensation based, insofar as practicable and consistent with subsection (a), on the transmission ratemaking methodology used by the Public Utility Commission of Texas.

"(2) **DEFINITIONS.**—For purposes of this subsection—

"(A) the term 'ERCOT' means the Electric Reliability Council of Texas; and

"(B) the term 'ERCOT utility' means a transmitting utility which is a member of ERCOT."

#### **SEC. 723. INFORMATION REQUIREMENTS.**

Part II of the Federal Power Act is amended by adding the following new section after section 212:

#### **"SEC. 213. INFORMATION REQUIREMENTS.**

"(a) **REQUESTS FOR WHOLESALE TRANSMISSION SERVICES.**—Whenever any electric utility, Federal power marketing agency, or any other person generating electric energy for sale for resale makes a good faith request to a transmitting utility to provide

wholesale transmission services and requests specific rates and charges, and other terms and conditions, unless the transmitting utility agrees to provide such services at rates, charges, terms and conditions acceptable to such person, the transmitting utility shall, within 60 days of its receipt of the request, or other mutually agreed upon period, provide such person with a detailed written explanation, with specific reference to the facts and circumstances of the request, stating (1) the transmitting utility's basis for the proposed rates, charges, terms, and conditions for such services, and (2) its analysis of any physical or other constraints affecting the provision of such services.

"(b) TRANSMISSION CAPACITY AND CONSTRAINTS.—Not later than 1 year after the enactment of this section, the Commission shall promulgate a rule requiring that information be submitted annually to the Commission by transmitting utilities which is adequate to inform potential transmission customers, State regulatory authorities, and the public of potentially available transmission capacity and known constraints."

#### SEC. 724. SALES BY EXEMPT WHOLESALE GENERATORS.

Part II of the Federal Power Act is amended by adding the following new section after section 213:

##### "SEC. 214. SALES BY EXEMPT WHOLESALE GENERATORS.

"No rate or charge received by an exempt wholesale generator for the sale of electric energy shall be lawful under section 205 if, after notice and opportunity for hearing, the Commission finds that such rate or charge results from the receipt of any undue preference or advantage from an electric utility which is an associate company or an affiliate of the exempt wholesale generator. For purposes of this section, the terms 'associate company' and 'affiliate' shall have the same meaning as provided in section 2(a) of the Public Utility Holding Company Act of 1935."

#### SEC. 725. PENALTIES.

(a) EXISTING PENALTIES NOT APPLICABLE TO TRANSMISSION PROVISIONS.—Sections 315 and 316 of the Federal Power Act are each amended by adding the following at the end thereof:

"(c) This subsection shall not apply in the case of any provision of section 211, 212, 213, or 214 or any rule or order issued under any such provision."

(b) PENALTIES APPLICABLE TO TRANSMISSION PROVISIONS.—Title III of the Federal Power Act is amended by inserting the following new section after section 316:

##### "SEC. 316A. ENFORCEMENT OF CERTAIN PROVISIONS.

"(a) VIOLATIONS.—It shall be unlawful for any person to violate any provision of section 211, 212, 213, or 214 or any rule or order issued under any such provision.

"(b) CIVIL PENALTIES.—Any person who violates any provision of section 211, 212, 213, or 214 or any provision of any rule or order thereunder shall be subject to a civil penalty of not more than \$10,000 for each day that such violation continues. Such penalty shall be assessed by the Commission, after notice and opportunity for public hearing, in accordance with the same provisions as are applicable under section 31(d) in the case of civil penalties assessed under section 31. In determining the amount of a proposed penalty, the Commission shall take into consideration

the seriousness of the violation and the efforts of such person to remedy the violation in a timely manner.”.

**SEC. 726. DEFINITIONS.**

(a) **ADDITIONAL DEFINITIONS.**—Section 3 of the Federal Power Act is amended by adding the following at the end thereof:

“(23) **TRANSMITTING UTILITY.**—The term ‘transmitting utility’ means any electric utility, qualifying cogeneration facility, qualifying small power production facility, or Federal power marketing agency which owns or operates electric power transmission facilities which are used for the sale of electric energy at wholesale.

“(24) **WHOLESALE TRANSMISSION SERVICES.**—The term ‘wholesale transmission services’ means the transmission of electric energy sold, or to be sold, at wholesale in interstate commerce.

“(25) **EXEMPT WHOLESALE GENERATOR.**—The term ‘exempt wholesale generator’ shall have the meaning provided by section 32 of the Public Utility Holding Company Act of 1935.”.

(b) **CLARIFICATION OF TERMS.**—Section 3(22) of the Federal Power Act is amended by inserting “(including any municipality)” after “State agency”.

## **Subtitle C—State and Local Authorities**

**SEC. 731. STATE AUTHORITIES.**

Nothing in this title or in any amendment made by this title shall be construed as affecting or intending to affect, or in any way to interfere with, the authority of any State or local government relating to environmental protection or the siting of facilities.

## **TITLE VIII—HIGH-LEVEL RADIOACTIVE WASTE**

**SEC. 801. NUCLEAR WASTE DISPOSAL.**

(a) **ENVIRONMENTAL PROTECTION AGENCY STANDARDS.**—

(1) **PROMULGATION.**—Notwithstanding the provisions of section 121(a) of the Nuclear Waste Policy Act of 1982 (42 U.S.C. 10141(a)), section 161 b. of the Atomic Energy Act of 1954 (42 U.S.C. 2201(b)), and any other authority of the Administrator of the Environmental Protection Agency to set generally applicable standards for the Yucca Mountain site, the Administrator shall, based upon and consistent with the findings and recommendations of the National Academy of Sciences, promulgate, by rule, public health and safety standards for protection of the public from releases from radioactive materials stored or disposed of in the repository at the Yucca Mountain site. Such standards shall prescribe the maximum annual effective dose equivalent to individual members of the public from releases to the accessible environment from radioactive materials stored or disposed of in the repository. The standards shall be promulgated not later than 1 year after the Administrator receives the findings and recommendations of the National Academy of Sciences under paragraph (2) and shall

## ***Recommendation 8***

In the area of micro and small enterprise development it is important to make a visible difference: progress must be tangible -- to make real money and to produce real things

### ***Sub-recommendations:***

Some of the most urgent needs for the development of a small business sector are:

- \*clarification and reform of unfair tax laws
- \*clear title to property
- \*equitable access to materials
- \*access to capital
- \*access to information and technology
- \*expertise in marketing, packaging, customer service

The Russian government should commission a feasibility study for establishing museum stores as currently exist in the United States

Business and entrepreneurial training should be provided by those who are in business or are business oriented such as Rotary, the Small Business Administration, the Business Council for Understanding, and Peace Corps volunteers with business expertise and experience

U.S. vocational craft schools could serve as a useful model for the Russian and Ukrainian counterpart institutions, and exchanges with these institutions should be encouraged

A loose confederation of successful U.S. entrepreneurs, such as Ben and Jerry's of ice cream fame, could be inspiring speakers at associations of Russian and Ukrainian entrepreneurs, as well as excellent intern sites

Beginning businesses should concentrate on expanding product lines adaptable to the export market such as identified in the VEST sector report as well as develop capacity in services -- interpreting, language teaching, catering, messenger, cab and driver hire, apartment rental, plumbing and electrical work

## ***Recommendation 9***

Empowerment of women -- in the areas of reproductive health, infant and child welfare, micro and small enterprise development, farm labor, advocacy, organizational leadership and management -- is essential to the creation of a civil society based on democratic and equitable principles

### ***Sub-recommendations:***

#### **For Reproductive Health:**

abortion rates should be lowered immediately through counselling programs and improved access to modern methods of contraception

undertake focus group studies to assess knowledge and attitudes of women about reproductive health

with counterparts, open model centers for women's reproductive health care, in key areas of Moscow and St. Petersburg, with special emphasis on counselling training and provision of oral contraceptives

revise medical, nursing and social workers school curriculum to include training in contraception and improved birthing practices

establish model clinics for in-services training for physicians and nurses

#### **For Women's leadership:**

create a US-NIS Alliance for Women's Leadership to :

forge networks and partnerships between NIS and US PVOs/NGOs for mutual support and cooperation

facilitate information dissemination, cooperative action and technical exchange

facilitate/conduct training in leadership and small business development

provide grants for NGO development and action in the NIS

sponsor research on women's social, economic and political roles, status and potential for leadership in the NIS

develop short-term internship opportunities



## ***Recommendation 10***

There cannot be a radical movement to privatize the 40,000 major state farms and collectives. A two-pronged approach making them more productive and efficient, while at the same time experimenting on a small scale with various forms of privatization seems the most prudent course

### ***Sub-recommendations:***

Creation of well-run, market-responsive processing and distribution enterprises and/or further vertical integration of processing on the major state farms is a must

The governments of Russia and Ukraine must more clearly articulate the ground rules regarding ownership, private property, leasing, profit distribution, quotas, etc, before rational business decisions can be made

Technical cooperation seminars and workshops should focus on the following:

- \*alternate organizations and structures appropriate for the market economies
- \*management incentives
- \*right sizing
- \*productivity
- \*vertical integration
- \*economies of scale

## ***Recommendation 11***

Technical cooperation to address environmental issues should be a high priority of A.I.D. and the U.S. PVO/NGO community

### ***Sub-recommendations:***

Linkages and partnerships should be established immediately in Ukraine to ensure the continued momentum of public awareness through the local media

The e-mail networking through SEU and ISAR, linking the Ukrainian and Russian environmental movement with lead American and international NGOs should receive continued support from donors

A data base of potential project opportunities in the environmental sector, developed by Ukrainian and Russian counterparts, should be created and made available to the U.S. PVO/NGO community

Interventions in water quality control for Ukraine should be a high priority for A.I.D. utilizing existing technical cooperation mechanisms

***Recommendation 12***

The American business, labor and agricultural communities should be mobilized to engage in substantial technical cooperation with business and agricultural enterprises in all republics of the former Soviet Union

# ***SECTOR OBSERVATIONS***

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- \* *The Law and Non-Governmental Organizations*
- \* *Small Business*
- \* *Environment*
- \* *Agriculture/Enterprise*
- \* *Health Sector*
- \* *Women's Issues*

# ***THE LAW AND NON-GOVERNMENTAL ORGANIZATIONS***

Bruce R. Hopkins, Esq.  
President  
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## **INTRODUCTION**

As is reflected throughout this report and in the experiences of many others, Russia and Ukraine are making their respective ways to a more democratic state. While there are forces in play that would subvert this process in both countries, at the present these two evolutions (indeed, revolutions) continue on course toward a freer society.

We in the United States have a cultural bias that a healthy democracy cannot exist without a strong non-governmental (nonprofit) sector. My experience as a member of the VEST team (and as the result of previous visits to these countries) leads me to believe that this is more than a cultural bias -- the intertwining of democratic principles and nonprofit organizations seems unavoidable once again in these nations.

As discussed below, there is little formal law on the subject of non-governmental organizations in either Russia or Ukraine. My most surprising (and pleasant) discovery was that this state of affairs is not deterring the development and use of nonprofit organizations. There is little question that law development in this regard is critical but the point is that non-governmental organizations are managing to effectively function without it in the interim.

One cannot fully describe the enthusiasm and energy of the individuals in Russia and Ukraine that are the present-day stalwarts of these emerging non-governmental sectors. These individuals are intelligent, well-educated, public-spirited, and serious about their missions. They are well aware of the major elements and issues in this aspect of the law, and are hungry for information and training in these areas. They want details on how the United States defines "charitable" organizations, copes with commercial undertakings of these organizations, regulates lobbying and political activity, taxes unrelated business income, provides incentives for charitable giving, and more.

(Not surprisingly, there is great interest in those managing philanthropic entities in these countries in advice as to how to obtain funding from United States sources. One of the reforms in United States tax law that needs to be undertaken is simplification of the process by which private foundations in the U.S. make grants to charitable organizations in these and other countries.)

## A POINT ABOUT TERMINOLOGY

A word about terminology. There is some confusion in Russia, Ukraine, and elsewhere as to what to call organizations that are part of the "nonprofit sector" of society. In the United States, we have not resolved this problem. Many use the misleading term "nonprofit" organizations, while others speak of "private voluntary organizations," "non-governmental organizations," and "non-commercial organizations."

The term "nonprofit" organization is misleading because it conveys to many the thought that the organization cannot earn a "profit" (excess of revenue over expenses). This is not the case. The term "nonprofit" addresses the matter of what happens to the profits. With a for-profit organization, the net profits flow through the business entity and to those that own it (usually stockholders or partners). This is known in the United States as "private inurement." Under U.S. law, the private inurement doctrine is the principal dividing line between for-profit and nonprofit organizations.

Nonetheless, because of confusion over the term "nonprofit" organization, this report uses the term that appears to be most accepted in all three countries: "non-governmental" organizations. For those not familiar or comfortable with that terminology, you should think "nonprofit" organization when you see "non-governmental" organization (or "NGO").

## FINDINGS

### Russia

#### Basic Law Findings

During the VEST team's visit to Russia, considerable attention was given to the existing and prospective systems of law that relate to NGOs. Repeatedly, inquiries were made in four areas:

1. The existing regulatory environment for NGOs (such as registration requirements).
2. The existing tax system as it impacts NGOs.
3. Any prospective regulation of NGOs.
4. Any prospective changes in the tax law that would impact NGOs.

#### Existing Law System

Russia does not (yet) have a formal legal structure by which NGOs can be formed and are operated.

The country presently has a body of law concerning so-called "public organizations." This law was adopted in October of 1990, and is reflective of the law in existence in the former Soviet Union.

There are separate laws concerning religious organizations and unions. Also, many institutions that are non-profit organizations under U.S. law are part of the state apparatus in Russia (such as universities, hospitals, and museums).

One source defined a "public organization" as an organization that unites people around a particular interest. Another source indicated that "foundations" can not qualify as public organizations. (However, there are organizations registered that include the word "foundation" in their name.) A public organization cannot espouse policies that contravene the Russian constitution, or that promote discrimination or violence.

A public organization can be started by as few as ten individuals. Various documents, including one akin to bylaws under U.S. law, must be submitted as part of the registration process.

Although their role at the federal level is not clear, NGOs seem to have some operating relationship with a particular ministry (such as the Ministry of Justice or the Ministry of Health).

Public organizations that are primarily local in nature (for example, that function principally in Moscow or St. Petersburg) register with the appropriate ministry in the particular city.

One source estimated that there are about 40,000 public organizations in Russia.

The city of Moscow has an extensive registration system for NGOs operating in the Moscow metropolitan area. There is not a specific law on the subject; however, this form of registration apparently is being done solely on an administrative basis.

A similar system of registration is in operation in St. Petersburg. That city requires registration of various "joint ventures" and, as part of that requirement, NGOs must register.

### Existing Tax System

The existing tax system in Russia includes an income tax, with a 38% rate. One source estimated that there are about 40 different taxes in Russia.

Some public organizations are exempt, in whole or in part, from taxation. Since there is no tax exemption provided by statute, such tax exemption as exists is apparently dispensed by the appropriate ministry.

We received conflicting answers to one question, which was about the taxation of grants to public organizations where the grantors are foreign charitable organizations. Some said the grants would be taxed; others said they would not be.

Those that gave the first answer agreed that this tax rule was a substantial dis-incentive to grant-making and gift-giving by charitable grantors and donors in other countries.

A commercial organization that makes a contribution to an NGO can take a charitable deduction in an amount equal to two percent of its net profit.

### Prospective Regulation of NGOs

There are drafts of legislation to provide a comprehensive statutory legal foundation for the creation and operation of NGOs.

Two committees are working on this legislation. The team met with representatives of one of them, the Committee on Freedom of Conscience, Religion, Mercy, and Charity. A draft prepared for consideration by the Interlegal Research Center seems to be the principal draft.

Once the Supreme Soviet (Parliament) decides to place the issue on its agenda, the Parliament will discuss the matter and then refer the bill to one or more commissions for review.

The most optimistic of views sees this legislation passing Parliament this year. That outcome, however, seems highly unlikely.

One possibility is that a basic law concerning NGOs will be passed in 1992, with separate legislation on charitable activity adopted later.

Obviously, legislation of this type cannot be evaluated in a vacuum. The tax issues (see below) remain the most complicated. The government is facing deficits and attempts to stabilize the ruble have failed. The deputies (members of Parliament) with whom the team met observed that providing for complete tax exemption for NGOs at this time is going to be difficult.

As in any society, there are entities that are "preventors" to change. In the case of NGO legislation, the preventors are the old-line, state-supported foundations. (These foundations apparently have tax exemption as granted by various ministries.) One tactic these foundations are using is to push for legislation that would provide tax exemption for commercial organizations owned by charities.

During the team's visit with representatives of the Moscow City Council (MosSoviet), it became clear that the MosSoviet is prepared to move ahead on its own with NGO legislation if the Russian Parliament (Supreme Soviet) does not soon act.

The regulators visited by the VEST team in St. Petersburg did not seem particularly interested in the development of a city-based NGO statute. They did, however, express their "hope" for a country-wide law.

## Prospective Tax Law Changes

It seems likely that Russia will ultimately evolve a statute-based system of tax exemption. The timing on this is unclear, due largely to pressing economic, political, and social forces.

Probably some enhanced forms of incentives for charitable giving will be embodied in the Russian statutory law. This is likely to take longer to achieve than tax exemption.

### Ukraine

Much of what is written above concerning Russia is equally applicable with respect to Ukraine. That is --

1. There is no formal legal structure in Ukraine concerning law for NGOs.
2. There is a country-wide law for "public organizations."
3. There is a regulatory system for NGOs in Odessa but not in Kiev.

The team was advised that some form of NGO legislation is to be presented to the Ukraine Supreme Soviet (Parliament) in February of 1993. A draft is to be available by the end of 1992.

Passage of legislation in Ukraine concerning NGOs any time soon is problematic. The executive branch of that nation is being restructured, which will mean the abolishment of some ministries. Major economic reforms are underway, including various attempts at privatization.

Nonetheless, NGOs are flourishing in Ukraine, again despite the existence of country-wide substantive legislation. However, legislation there is needed because of the many unanswered questions about their permissible objectives and activities.

### Other Findings

1. There is great impetus for the establishment of NGOs in Russia. There are literally thousands of them, most created only in the past few years, and their numbers are rapidly growing.
2. This is the case despite the lack of specific NGO statutory law.
3. Nonetheless, there is a compelling need for specific NGO statutory law. Only in this fashion can new, existing, and impending organizations be certain of the procedures for becoming created, methods of operation and regulation, and the tax rules.
4. The Russians want and need technical cooperation in connection with the preparation and administration of such legislation.



5. Most Russians are not as concerned with the infusion of U.S. (and other country) currency into their NGOs (wealth transfer) as they are with technical assistance and cooperation to enhance their development. One Russian said that he and his colleagues want "methodological help." This form of technical cooperation includes --
  - a. Assistance in connection with the drafting of NGO legislation.
  - b. Training of NGO's managers, lawyers, and others as to various legal requirements for operating NGOs.
6. Notwithstanding Finding No. 5, it is clear that the Russians and Ukrainians (and others throughout the CIS) are badly in need of computers and peripheral equipment, and technical materials (such as books and papers).
7. Some of the foregoing forms of technical cooperation can be provided in ways that are integrated with other forms of technical assistance (such as management training).
8. The Foundation for Social Innovations (FSI) has a valuable network of contracts in the CIS countries which is available for use in the technical cooperation setting (see Recommendations). (This network is of less utility in Russia and Ukraine.)
9. There was great interest expressed by Russians, Ukrainians, and members of the VEST team in the establishment and operation of some form of "center" or "clearinghouse" by which individuals in the U.S. and the CIS countries could share technical NGO information and expertise.
10. There was considerable candor about the problems facing Russia and Ukraine (including health and environmental problems), with a realization that government cannot alone solve them -- that the NGOs are essential to that end.
11. United States tax law should be re-examined, to facilitate the making of gifts and grants by U.S. sources to charitable organizations in the CIS.

**FORMS OF TECHNICAL COOPERATION PROVIDED  
BY THE IILP DURING VEST VISIT**

During this visit by the VEST team to cities in Russia and Ukraine, the following technical cooperation was provided by the representative of the Institute for International Law and Philanthropy (IILP):

1. Participation in the First International Conference on "Women and the Free Market Economy," including presentations on "Women and the Law" and the importance of NGO legislation.
2. Sessions with representatives of the Interlegal Research Center (IRC), to the end of improving the evolving draft of NGO legislation.
3. Sessions with managers of NGOs in the four cities visited to provide practical legal advice in connection with their managerial problems. (IRC hosted these sessions in Moscow.)
4. Meetings with various legislators, regulators, and NGO leaders to impress upon them the importance of NGO legislation.
5. Sessions with regulators and NGO leaders to explain the workings of U.S. law concerning NGOs.

## RECOMMENDATIONS

The following recommendations concern the law (including taxation) context for NGOs.

1. The first priority must be the development and enactment of legislation to provide a statutory basis for the organization and operation of NGOs. The goal should be the enactment of an NGO law in each of the CIS countries.
  - a. This should be done by means of the development of a model law and accompanying explanatory materials. This model and materials can be disseminated to the CIS nations by means of the FSI network of contacts.
  - b. This approach is different from that initially adopted by the IILP. The Institute's approach has been to encourage the political and social leadership of countries to draft NGO legislation, and then react to it. However, this approach is proving laborious because there is little background about NGO operations to guide the drafters of legislation. While the process in Russia is too far along to utilize a model law, the other CIS countries would be appropriately assisted with one.
2. Materials that are explanatory of a democratic, pluralistic society, that explain the role of law in that setting, that explain the role of NGOs in a democratic society, and that explain the need for and the role of NGO laws should be prepared and widely disseminated to appropriate audiences throughout the CIS.
3. Materials should be prepared that explain the concepts of NGO law in greater detail, for the benefit of CIS lawyers, NGO administrators, accountants, and others in similar positions.
4. There should be conferences and seminars, utilizing these and other materials, for the purpose of providing training on NGO legal concepts for lawyers and others in the CIS.
5. If some form of US-CIS center or clearinghouse is established, information and expertise concerning legal matters should be part of the information and expertise disseminated by this type of entity.

# ***SMALL BUSINESS IN RUSSIA AND UKRAINE***

Clare Smith  
President  
Aid to Artisans

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## **Background**

Small business has no past, no background in Russia, nor in Ukraine. With rare exceptions, all business was state business until recently, hence the "background" is what one might call in a painting "negative space", and might be better understood by Western analysts in terms of what does not exist.

Intellectuals in Russia and Ukraine, of whom there are many, know a lot about our economic systems, and understand free market theory. As Serge Duss of World Vision said, "It's a bookish and educated society. People read." Their understanding is considerable-but their experience is almost nil. Dreamers, their expectations of this new world are high, and it is alarming to hear how fast and how far they hope the new freedoms will take them.

On my return I received a request that I help find a dealer for the Fedoskino lacquer factory, the preeminent production center for the Russian specialty, many-layered lacquer papier-mache boxes. Fedoskino is willing to make a deal offering exclusive distribution in the U.S., and they expect sales of 2 to 3 billion dollars a year. Even allowing that I might have heard it wrong and they might have meant 2 to 3 million dollars a year...it's an absurd amount. Only Madonna's sealed in Mylar book "SEX" would come close. What were they thinking? Big business will be in defense conversion, agriculture, transportation, communications, not in lacquer boxes.

Probably the liveliest and most current information about small business in Russia can be found in the New York Times. During September of this year, exactly when the first VEST team was in Moscow, the Times ran a series of articles on the new entrepreneur, the vendors on Arbat street., the portable stores and kiosks, and the complicated pay-offs necessary to get a kiosk. We saw a lot of things for sale, mostly souvenirs, but everything else was used, clothes, shoes, military gear. Business is mostly trading, buying and reselling, not very much is being produced for sale. There is a lot of information available-three English language newspapers in Moscow, and an enormous of newsletters here in America.

Things are changing so fast that it's important to stay current. The VEST office in Washington has a good list of sources of information.

For a Russian or Ukrainian individual there isn't much sense in starting a small business at this moment. There are a few systems in place: there's no access to credit; no distribution system; punitive taxation on gross profit of traders of middlemen (70\$ in Ukraine); finding premises is

impossibly difficult and expensive. In St. Petersburg, the lease of a small dry cleaning shop brought at auction the equivalent of \$36,000, a lot of rubles. Premises represent values, not the business activity. So selling from a wheelbarrow, Broadway immigrant style is logical, and a lot of people are doing it. To build a more formal business would not be a good business decision. Any profit is in rubles, and inflation makes them more worthless every day, hence deferred profit is a foolish action. Ownership is uncertain-no one knows the present or potential value of the vouchers recently given out by the state in the rush to privatize.

If you can't own it, you can't build up equity. You can't earn profits because of the overwhelming inflation. What's the purpose?

### **Business Climate**

In the absence of state enterprise, private enterprise must occur, and mini-micro enterprise seems the only possibility right now., with barter as the preferred payment. People barter at the individual level, and at a more substantial level too. The one established U.S. importer of Russian lacquer pays sometimes in polish sausages.

Hard currency stores, because their finances can be controlled, because they CAN turn a profit, because they CAN pay for goods, have ample stocks. Many Russians ask for payment in hard currency, even for taxi rides, and they plan to hold on to the currency so they can buy food later in the winter when shortages are expected. They know the ruble stores will be out of stock, but there will be food in the hard currency stores. In Russian the ruble is now considered an inferior currency, but it's still good in Ukraine, preferred over the new untested, untrusted "coupon".

Because so many jobs are being lost as former state enterprises go out of business, the figure 40% job loss was quoted, as the Russian and Ukrainian economies totter, it is hoped that the emerging entrepreneurs will fill the gap. In the U.S. more jobs are created in the small business sector than in any other sector, and most of those are in start-ups, a major share of them owned by women.

But in Russia there is little incentive to own a business and even less in Ukraine where nothing has yet been privatized. Still, Russian are survivors, and keenly interested in how to do business fast. It won't take them long, but there are some urgent needs at this time:

- clarification and reform of unfair tax laws,
- clear title to property,
- equitable access to materials,
- access to working capital,
- access to information and technology,

and a host of other systems to which we are so accustomed that it does not readily occur to us that they are not yet available in Russia.

People do what they can.

Within the now almost inactive porcelain factory, Ghzel, makers of a blue and white porcelain famous the world over, sought by collectors in Europe and treasured by Russians too, some of the best potters and hand painters have set up their own operations within the factory. Since the factory is no longer entirely a state operation, but partly owned by the workers, and by their union, there are times when they can work for themselves using the factory kilns, and they may sell their own products. (Just as individuals may now have their own farm plots on the big state farms and may sell their produce.) I met Katja, a very talented hand painter, and I met her in Connecticut, not in Russia. She and two colleagues had persuaded the Hartford Architecture Conservancy, normally dedicated to preserving the Victorian and Queen Anne architecture of Hartford, to stake her to a gallery in the Civic Center, to host a press party, to build \$5,000 worth of exhibit cases. This woman did not need any entrepreneurial input from us!

I talked with the president, Natalia Ignatova, of the factory in Ryazan where the colored lace trim so characteristic of Russian tablecloths is made. The lace, and the woven ground cloth is made in two factories, one employed 180 women, and the other 100. They were state owned, but now the lace makers and the weavers own shares, but it's a daunting prospect. They have no orders at all. They have never had to sell their work before-it was bought from them by the state purchasing staff, they received their wages and their benefits, and it was simple. They know they have no market in Russia right now-no one has any surplus income. So export is necessary, but how to do it, how to make contacts, how to know if their products are saleable, how to know how to price them? They are completely unfamiliar with costing products, have never bought their materials on a competitive basis, do not know how to value their labor, nor how to be particularly efficient. I worked with them during and after a marketing seminar at the conference, "Women in the Free Market Economy" held in Moscow just prior to the arrival of the full VEST team. They need a lot more than short consultation-they need a makeover. It was discouraging to think how much they have to learn, and how hard it would be, but encouraging that they know they need "know how"-the word is the same in Russian-and they are touchingly willing and eager. While they love their red-edged tablecloths and doilies, they guessed they might be too "Russian" for Americans-what would we like? what would sell? Tell us and we'll make it..."

The cornucopia of goods that overflows into the American marketplace seems gross by comparison with the meager supply of consumer products in the Russian marketplace. There were certainly plenty of souvenirs in Arbat Street and in Ismailova Park, but the stores that supply the local people have very little stock. We saw the often described long lines at stores, lines for merchandise, lines to pay for merchandise. (I did not see GUM, it was closed that day I was in Red Square).

Given the lack of surplus cash, and the shortage of ordinary necessities, it might seem frivolous to discuss folk art, "airport art" and other art as a practical export opportunity, but there is a long and wide art history in the Former Soviet Union and pride in it.. Russian artisan are talented, well trained and skillful. They have a real competitive advantage.

Their most notable skill is in painting-watercolors, gouaches, oils, graphics, originals as well as exact reproductions. They are extremely good at line and color and finish. Quality is uniformly high. These skills would serve them well in any market in the world. Right now the interest in Russian goods is very high, as they are still something of a novelty. For unessential goods, novelty, "what's new" is a major market imperative.

I looked at everything, in museums, in the street markets, in books, in private homes, and I identified several product lines matching them to the market categories in the U.S. market. The appropriate categories are:

- Gifts,
- Decorative Accessories,
- Home furnishings,
- Housewares,
- Holiday,
- Fashion,
- Boutique,
- Personal accessories,
- Costume Jewelry,
- Gourmet,
- Bed, Bath, Linen,
- and Tabletop.

The product lines are:

- Porcelain,
- Lacquer,
- painted tin,
- painted accessories,
- carved accessories,
- birch bark accessories,
- Christmas items, especially wooden church replicas,
- stone and amber jewelry, prints, aqua tints, etchings, watercolors,
- knits, especially "cashmere" shawls,
- toys,
- linen, embroidered or plain,
- Miniatures, especially lead soldiers

As well as artisan workshop or atelier products, the other traditional opportunity for beginning businesses lies in providing services, especially services that do not require much equipment or

high-tech training. The Moscow Times listed numerous small entrepreneurial enterprises, among them interpreting, language teaching, catering, messenger services, car and driver hire, apartment rental agents. We heard that independent plumbers and electricians are very successful; the state owned building provide useful but you have to wait so long that anyone who can afford it hires a moonlighter and pays on the side.

Service oriented joint ventures seem promising, and St. Petersburg was full of joint venture notices, not so many in Moscow, though several U.S. construction companies were prospecting for partners at a trade show in Moscow, and a few still in Ukraine, but they are being encouraged.

The St. George hotel in Kiev, a lovely tourist "destination", on a picturesque cobbled street below St. Andrews baroque church, is a joint Ukrainian/American venture. Incomplete as yet, it will provide the finishing touch to a street full of artist's studios and coffee shops, the only place in the city except for the fruit and vegetable market, where shopping is even visible.

Yunicam is a successful joint Ukraine/American venture based on the delivery in Ukraine of flowers and special messages anywhere in the country. People who left in the "Ukraine Diaspora", for the U.S. and Canada keep in touch that way.. The company is paid in dollars and buys in "coupons".

CDC engineering in a woman-owned, Vancouver-based waste disposal company, and the owner, Russian by birth, Irina Wosk, has set up a joint venture in Moscow. Her Russian partner is still only the government, though it has been her intent to get shares into private hands from the very beginning.

The business climate is yeasty, and I think private sector involvement would be preferable to NGO involvement in small business. Private business is fast to act, and that's important as the people of the former Soviet Union need to taste some success in free market ways soon. People who are successful in private enterprise are usually innovative and accustomed to risk and they want results. They usually have enough capital to ride out the invariably rocky start up times.

## **The NGO Sector**

The foreign NGO community is concentrated at the present on urgent humanitarian and health questions and on institution building. We were fortunate to be briefed both generously and frankly at a meeting hosted by Serge Duss of World Vision and Benedicte Berner of Red Cross and Red Crescent. None are working directly with small enterprise, but their "lessons learned" are as applicable to that sector as to any other, and all of them, particularly Mary Yntema of United Way International, offered to assist other non-profits get established.

There are serious constraints to getting established. At the moment, foreign donations to Russia are taxed as income at 38%, although religious organizations such as the Salvation Army, World



Vision and Catholic Relief Services are exempt, and other organizations may be granted exemptions by President Yeltsin. Private giving was never a tradition in a state run system, and, even if it were, there isn't discretionary income in Russia or in Ukraine now. 60% of the people are said to be at or below the poverty line.

New money exists, and there are millionaires. One, Smirnoff, pays all the bills for a special school in Samara, a sort of grown up Montessori School; one is funding the "From Russia with Love" Rocket, and another gave one free day on the metro to every rider. Grand gestures, and inspiring, but not steady cash flow for non-profit agencies.

### **Prerequisites for Creating Good Partnerships**

There are 1,300 non-profit Russian organizations registered in Moscow, more each day, in spite of the lack of structure, and finding a counterpart should, just on the odds, be fairly easy, but it takes time to find a good partner. Both the United Way and the Fund for Social Innovation offered to serve as references.

Everyone we spoke with emphasized the absolute necessity of having a Russian partner. Not just because it's unworkable without one, because the Russian neither want nor need charity, they want us to teach them what they need to know, and that's all. I am sure we would agree that's the goal, to make sure we contribute to their independence not the opposite.

### **Recommendations From U.S. PVO Representatives Based in Moscow:**

Our partnerships be between equals.

We must become skilled at communication, learn Russian,  
use E-mail, meet socially,  
network, talk to everyone.

Do not transfer cash, except for salaries and equipment.

Teach accountability and personal responsibility.

Use expatriates for both management and training.

Good advice, all of it, and I think it necessary also to add what Carey Stacey of Trade Star said, "You know what the crop is when you grow it". We have to learn as we do.

### **Private Sector**

Although the foreign NGO's are not actively working on small business at present, a great many other people are active in privatization. The Coopers and Lybrand office offers management

and accounting services, far from free!, but high quality. U.S. investment banking firms are working with the Russian Government on free market systems. At the individual level, a Dutch import/export company, Stemmko, longtime traders in commodities, offers training to entrepreneurs in basic business skills. Joint ventures, of course, offer instant training.

Much of the training takes place in the U.S. For example, the "Yankee Eastern European Entrepreneurial Studies Program" brought five young Russian entrepreneurs for two semester of graduate level training at the University of Hartford and will place them in local businesses. Newspapers all over the country report on Russian and Ukrainian and Kazakh visitors every day. There is a lot going on.

Artists groups are particularly active. Just in the northeastern corner of Connecticut the local paper wrote of the visit of four Russian Painters from the outskirts of Moscow to the very small town of Canton. A similar art exhibit and sale of work from Kazakhstan opened this month in Laurel, Maryland. We don't often look on art as a means of income generation, but it can be.

"Trade Star", based in North Carolina is almost too complicated and ingenious a business to describe here, but is an experimental combination of barter and training, profitable on both the Russian and U.S. sides. It's the brain child of two women, Carey Stacey, an American entrepreneur currently active in Hungary with the cosmetics business, a language and business training school, past president of the U.S. Business and Professional Women's Association, and Ludmila Konareva, Professor of management at the Institute of the U.S. Canada at the Russian Academy of Science, and founder of the Russian Association of Women Business Owners. RAWBO has thirty members, and Dr. Konareva is presently speaking at a conference in North Carolina run by the Small Business Administration called "Women Going Global".

Much of this activity is spontaneous and entirely private-neither the government, nor business, nor the organizations of the "Independent Sector", just people acting on their own, with or without backing. In Russian we found similar, perhaps even more creative approaches, and though it might sound soft-headed it does seem as though some new form of enterprise might arise out of this creative and exciting mix. David Cooperrider, a professor at Case Western Reserve University and a member of the VEST team spoke often and eloquently on this trip of a Just Civil Society, and of the need for the integration of government, business, and non-profit interests.

### **Foundation for Social Innovations**

The Foundation for Social Innovations, founded by the Charismatic Gennady Alferenko, is a new kind of "think tank", in fact an "idea bank". At our meeting at the Foundation's Moscow headquarters we met some of the innovators, the founder of a garden plot training institution, a tomato paste factory owner, and, most encouraging, a fifteen year old newspaper editor-publisher whose paper, "Contract", already has several thousand subscribers.

The Foundation sponsors extraordinary events. Most of us had heard of the recent meeting of Eskimo families separated by only fourteen miles of the Bering Straits, but unable to meet during the long years of the Cold War. We had not heard about the conference of American Vietnam Veterans and Russian Veterans of the Afghanistan. The soldiers shared experiences, agony and healing in an extraordinary personal and private meeting. Some of us had heard of the proposed flight of the intercontinental rocket called "From Russia With Love". Privately financed in Russia, guided by the Russian and U.S. military and filled with letters from Russian school children, it will splash down in Seattle Harbor on Thanksgiving Day. Innovation! This foundation is emphatically open to ideas and creative cooperation.

### **Vest Team Knowledge Alliance: Aid to Artisans, CEDPA AND MOMS-86**

When I first thought about innovation and new forms of enterprise I was thinking of Cooperrider and Alferenko's grand vision of world order, but on an immediate and practical scale, I noticed on this VEST visit how we team members were often working together to see how two or more PVO's might work together to find creative and practical solutions.

One such potential partnership is three way, CEDPA, MOMS-86, and ATA: CEDPA to start a women's health and counseling center in Kiev with MOMS-86, Ukraine-wide entirely private organization of mothers concerned about the children of Chernobyl and ATA to set up a store/gallery in Kiev to sell products based on Ukrainian tradition, developed by ATA using the skills of the 2,500 MOMS-86 members and their friends. The store would serve as Store-Front Office, publicity for MOMS-86, and would generate substantial income from the tourist and expatriate market. There is very little quality handcraft for sale in Kiev at the present, Although the Ethnographic and Decorative Arts Museum at Lavra Monastery is full of examples to reproduce.

### **The Russian Association for International Relations**

With Mme. Valentina Tereshkova at its head, the Russian Association of International Relations is now an NGO, although still associated with the government. Among its many interest and responsibilities are the seven vocational schools outside Moscow where students, chosen by competition, learn the traditional arts of Russia, enamels, woodcarving, needlework, bone carving, porcelain. The graduates used to be hired directly into the factories where traditional products were made, not mass produced, but certainly in large quantities. The markets for such products have shrunk dramatically with the change in the Russian economy, and both the factories and the schools are at half budget and half production. The pay scale is very low, even the teachers, enormously skilled people, make only about eight dollars per month. The Russian Association would like to broaden the school experience, arrange for student and faculty exchanges, arrange competitions, bestow prizes, and supplement the meager government support with sales of products.

With Emma Pilyugina, President of the National Handcraft Association, Sally Montgomery and I visited the Fedoskino vocational school in a small village some 15 miles from Moscow, where 125 talented young people learn to paint the most elegant of miniatures, lacquer on papier-mache, tole painting, and enamel on porcelain. The conditions are Spartan beyond any description of early British Public Schools, and exchanges with American students would certainly be educational.

### **Most Useful Forms of Assistance and Recommendations**

Following directly on the Russian Association's hopes for the vocational schools, I want to note that there are several vocational craft schools in the U.S. whose experience might serve as a model, Penland and Berea. Both schools would welcome such an exchange, and the Craft Center, a PVO based in Washington has offered to coordinate any such program.

As to income producing for the vocational schools, it is tricky given the emphasis on five full years of training. They did not like students to work before they are fully trained, almost imprinted. Since their eventual products are far too expensive and too elaborate for the export market taste, it would be desirable to develop product adaptations that would be marketable. Specifically, a product development specialist could simplify the painted tin trays at Fedoskino and build a respectable small business that would quite easily support the school's modest budget, at least as long as the ruble/dollar remains as much in the dollar's favor.

I cannot be as specific for the small business sector in general. Each case is different, it changes every day, but I strongly recommend that any assistance should be professional and provided by wise and widely experienced people. This is too important a time for well-meaning amateurs.

Except for certain PVOs, such as Accion who are truly excellent at micro enterprise training, and perhaps Trickle Up whose \$100 grants might be very appropriate at the moment-\$100 is currently 12 teachers salaries for a month. Women's World Banking, with its emphasis on credit guarantees, has much to offer, and is now, as an outcome of the "Women in Free Market Economy: conference, working to establish a banking relationship in Russia. It is still too early for the IESC, as most of their volunteers would be over-qualified, but as soon as there are enough formally organized businesses IESC would be appropriate. Except for these few, the PVO community does not seem to be the most appropriate group for small business assistance now.

Perhaps the most useful assistance a PVO could offer is to provide updated information, to act as a guide and resource center to PVOs, entrepreneurs and entrepreneurial groups. At the State Committee of Ukraine for Promotion of Small Business and Entrepreneurship, copies of several Small Business Administration handbooks were open on the desk, and they were described as very useful and fascinating. People said that small business training centers spread widely through the country would be helpful.

Some non-governmental organizations such as the Social Venture Network, a loose confederation of successful entrepreneurs like Ben and Jerry of ice cream fame, Paul Hawken Of Smith Hawken, Dan Storper of Putumayo, the owners of Stonyfield Yogurt, of Just Desserts, could be inspiring speakers, "gurus" and their companies would be excellent intern sites.

I did not have the opportunity to meet with the U.S. Department of Commerce in Moscow, but I would like to know more about their strategy for working with the small business sector. The list of services they offer to U.S. business people in Moscow was impressive. Between the Department of Commerce and the Business Center of the Slavyanskaya Hotel, it is no longer quite so difficult to function in Moscow.

(There are still some notable gaps-no one can pack or ship any tourist purchases. If I were a Russian entrepreneur wondering what kind of business to start I would station myself at either end of Arbat Street with a packaging and shipping agency. I'd do the same at Ismailova, and if I could get a connection with FEDEX or UPS I'd have a business!)

The Peace Corps volunteers arriving now in Estonia are small business trainers, and I believe the group coming to Russia is made up of English teachers and Small Business experts. If they are experienced as well as academic, they could be enormously helpful. A two year presence of a volunteer could be to provide just the hand-holding continuity that is needed. Short term training visits do not allow for the inevitable follow up questions and answers.

NGOs and PVOs are not, by their nature, business people, and I can't help but think that business and entrepreneurial training should be provided by those who are in business, and currently active in business would be better. So, aside from corporations themselves, I would look to the business-oriented groups, the Rotary, the Small Business Administration, and the many other internationally active and qualified groups, such as the Business Council for Understanding rather than the more general micro-enterprise training offered by PVT's. From the Aid To Artisans point of view, we see numerous opportunities, especially in Russia, because of the rich handcraft traditions and the existing skills, and because our "Market Link" program provides the commercial link between artisans and the market. ATA is a tightly focussed organization, focussed on mixing artisan skills, cultural conditions and the marketplace in order to improve the lives of the artisans. The "Market Link" program would work in Russia, even in this pre-business era. The emphasis on export would not currently be suitable for Ukraine, as there are not enough market-ready products.

A major opportunity presents itself with museums in Russia and Ukraine. Knowing that the Smithsonian Museum catalog sales gross \$89 million a year and the stores do 20 million, it seems logical in the extreme that world famous museums like the Hermitage should "capitalize" on their collections. There are craftsmen throughout Russia trained in restoration, trained to the same high standards as in Czarist times, artisans working in gold leaf, miniature painting, porcelain. Color printing is excellent in Russia. Products related to the collections in all the museums could be produced and sold to benefit the museums. Already there are very good products for sale in the streets. It would be relatively easy to stock the stores. The museum

store at the Ethnographic Museum in ST. Petersburg had good products, a flock of would be customers but very little stock.

We strongly recommend that the Russian government commission a feasibility study for setting up such stores as currently exist in all the major U.S. museums. ATA can identify consultants, experts like Thomas Aageson whose book on financial management of museum stores in the industry standard, but without knowing who controls the museums, whether or not shops have already been considered, we would not submit a proposal. A preliminary study is necessary.

ATA's interest would be in the immediate local expansion of the market for Russian crafts people that museum stores would provide, for the obvious strengthening of income potential for artisans, and for their increased self esteem. Working for the Hermitage would be far more glorious than making souvenirs on Arbat Street.

### **Women's Issues**

In most countries where Aid To Artisans works, our work is with women. Handcraft, unless it is very profitable (metal, especially jewelry) or highly venerated (Ghanian kente weaving), is usually "women's work". In Russia, I did not get that impression. To be sure the lace was all made by women, women usually are the textile workers. But the painting, their best opportunity by my estimate, is done by men and women.

Jobs are so scarce and living is so frighteningly expensive, that anyone works who can. We were told that of the new unemployed 80% were women, and there was a rumor of a bill before parliament that would limit a mother's working hours to 22 per week. In the countryside we saw men and women working in the communal sugar beet fields, and men and women and children working in their own garden plots.

### **Actions That Will Make A Difference**

Whatever the actions at least some of them should be immediate. It's important to "make a difference", a visible difference. In the small business sector progress must be tangible, to make real money and to produce real things.

ATA's method of operation in a new country is always based on finding the right people, lively people, often someone who "comes in off the street"- someone interested, curious, wanting to try something. Often, admittedly, that first person is not the ultimate counterpart we need, but it's the right place to start looking.

Some of the English speaking interpreters, for example, have terrific exposure to new ideas and possibilities, and they know it. My interpreter in Kiev, Tanya Yakimenko, had taught English at high school level for 18 years, and she was on fire now for excitement at new worlds opening

up for her. She need not simply translate; she can show us things, find out things, make introductions, she knows "who is who" and "where to get it".

World Vision and the International Red Cross told us that there are lots of qualified people in Russia, often right at your elbow, since people working now as secretaries, interpreters, drivers are frequently professors and managers whose jobs have disappeared.

Part of finding a good partner, counterpart, or even part-time colleague is personality, and we know we, and probably all Americans, respond to a positive attitude. Hence, when the president of the Small Venture Association of the Ukraine, Leonid Kondraschenko, said "If there is a problem, we'll solve it", and we knew we would like to work with him.

For other PVOs working in small enterprise, I'd suggest, as Mary Yntema did using the networks. Foreign PVOs working in Russia and Ukraine are extremely generous with advice and experience.

We ourselves, to give examples, would like to work with the Russian Association of Women Business Owners, for numerous reasons. They want to work with us, that's the first one. We can actually DO something, that's the second. We have checked them out, and their organization is trustworthy.

We'd like to work with CEDPA and MOMS-86 for the same reasons-we know and trust each other, and we see a store front center for MOMS-86 that is both needed and possible.

We are not so keen to work with the Russian Association for International Relations because we are not quite clear as to what they want and we sense that their expectations are impracticably high. Mme Tereshkova was a cosmonaut, Russia's first woman in space, and we doubt that small business is in her scheme of things. We will, however, do what we can-the vocational schools surely need some assistance at any level, and it would be impolitic to do nothing.

Previous to the VEST mission, ATA had been in touch with the Sudzal Institute of Restoration, talking at length with the U.S. teacher of champleve and cloisonne enamel who had just returned from a month of workshops at the Institute. The problems are the same as in the vocational schools under Tereshkova, and we will try to include Sudzal and continued training and marketing through our own consultant, Ursula Duba.

Almost every group we met in our sector is a group we intend to work with at least at some level, perhaps only to try it out. We'll see if we can help Logos, a church group that has taken on the support of a small (40 workers) enamel on copper workshop. We'll follow up on Gaia, a group of women from the conference, a group with a wide focus, but some craft producers within it.

We met artisans working at home, workbench in the corner of the bedroom, paintings drying in the kitchen. Outside the formerly well-supported state union of artists, they have almost no

means of support and no access to the materials that union artists can get. We'll look for two or three more jewelers of the quality of Slava whose filigree and sculptured settings for stones and amber were extraordinary, original, but still "Russian", and we'll arrange a group exhibition and sale here in the U.S.

We met several artists families; Alexander and Irina Aranov for example, he restores icons, and she is a painter. Both are skilled in decorative work, and desperately need work. They offered to gather their artist friends into a workshop to produce decorated breadboards, boxes, kitchen cupboards and the like-if we could help them find markets.

These are the small things, hardly cost-effective from a business point of view. But this isn't strictly business, it's a business as a means to life. Whatever we are able to do, we will always be on the lookout for ways to expand our usefulness, ways to involve more people, more exchanges, more sales, more exhibits and, obviously, more funding, since the amount of help that is needed in Russia or Ukraine is unimaginably large.



# ***ENVIRONMENT: RUSSIA AND UKRAINE***

Stanley W. Hosie  
Executive Director  
COUNTERPART

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## **BACKGROUND**

The VEST team was particularly successful in reaching both government and non-government environmental sectors in Russia (e.g. Moscow and St Petersburg) and Ukraine (Odessa and Kiev).

VEST team members met with Professor Yablakov, Environmental Adviser to President Yeltsin, in his Kremlin office, also with three senior members of the Russian Ministry of Ecology and Natural Resource Management, and with a dozen key members of the Moscow Chapter of the Socio-Ecological Union.

Since many government officials in both nations came from the "Green" Movement and/or from the spontaneous grassroots non-government organizations which make up the Socio-Ecological Union (SEU), there is a blurring of boundaries between Government and NGO Environmental sectors. In many cases the same persons attended both the governmental meetings and the NGO/SEU meetings.

## **RUSSIA**

In Russia, SEU personnel wrote up the following in response to the "VEST PROTOCOLS" on the Environment:

"In our point of view, the number of participants in the environmental movement has decreased since 1987-1989. The reasons:

- economic crisis

- disappointment of the most emotional members at the deficiency of legislation and enforcement;

- lack of members during the 1987-1989 election: many of them were involved in the political issues. Those realized that nothing can be done without new political achievements.

"There are different NGOs outside the SEU umbrella. There are many of them which belong to the so-called environment movement. At the same time, lots of the newly-formed groups have no relations with this movement. Usually they are particularly involved in business connected with environmental issues. We don't know much about them but can't deny that they make positive contribution to the environment.

"The Socio-Ecological Union is an international organization which is an umbrella for nearly 300 smaller organizations and groups in the former USSR. These nearly 300 groups work independently and close at the same time. It has only the Board of Operative Actions which usually takes only general decisions concerning the whole SEU. It also has the Centre for Information and Coordination that provides information for the whole SEU and coordinates efforts for different organizations and groups.

"The SEU has organization members and individual members who do not pay any fee and welcome to join the SEU, if they share its views and interests. For its part, the SEU is responsible to provide information and technical and advisory support. In some cases the SEU provides financial support. (when the SEU started it got very little money from groups and individuals). The SEU also has some branches which have and some which do not have the same statute.

"The relationship between the SEU and the Ministry of the Environment is rather tense. Prominent GOs, NGOs and international organizations say about their trust to the SEU and its activity. The Ministry does not want to admit this fact. Sometimes it seems a threat from the SEU activity towards its reputations and even monopoly.

"The SEU implements many projects which cover the following areas:

- communication and information (including E-mail network)
- environment and human health
- biological diversity and protected areas
- ecological education
- environmental legislation
- alternative energy sources
- radioactive wastes
- environmental monitoring, etc.

#### **"Source of Funding:**

The SEU got grants from US foundations to develop:

- an information programme
- e-mail networking
- clearinghouse on the environment
- protected areas.

From the World Bank the SEU will get money for the expertise it has carried out on the World Bank's request. It also receives money from local administrations for investigations and expert estimations of environmental pollution.

### **"Partnership**

"Institutions and enterprises are interested in establishing connections with the SEU. The SEU cooperates with Academy of Sciences, Universities and with many divisions of the Ministry on the Environment. The SEU has many foreign and international partners. In the US these are ISAR, NRDC, EPA, CCI, US University, IUCN, WWF COUNTERPART. International foundations: Dutch Milie Kontakt, etc.

"The SEU has its representatives of different levels at the Russian and other parliaments. For the time being we can't say that the Parliament plays important role in environmental policy.

## **UKRAINE**

While SEU chapters in Odessa and Kiev were not able to fill out the protocols, the VEST team considers the above comments to be representative of SEU/UKRAINE also.

## **FINDINGS**

### **1. The NGO Sector**

The NGO or PVO sector, in the American or British or European sense, is a misnomer in the CIS. Numerous organizations previously supported by the State or the Party have been declared NGOs but retain the same leadership and operate with State funding in State buildings. These groups, along with both new and relatively well established private citizen groups, are mixed in a potpourri of claimants for potential donor resources.

The environmental NGO sector reflects many of the same aspects, with a loose mix of groups from university professors and scientists cut adrift from centralized funding looking for major outside funding for research and development and major laboratories to small grassroots groups focused on a single community issue, from local officials seeking help for pollution cleanup programs to environmental ministry officials.

The activities undertaken by these groups range from the SEU's widespread e-mail network of environmental information which feeds into equally ubiquitous

"Green" publications to community-based activism aimed at protecting trees from urban planners.

Overall, however, environmental concerns have stimulated the creation of a broad-based, committed, and activist network of emerging NGOs throughout Russia and Ukraine.

## 2. Women's and Health Issues

Women's issues, environmental issues and health issues are inextricably linked in Russia and Ukraine.

The February, 1992 UNICEF/WHO report on Ukraine:

**CRISIS AND TRANSITION: MEETING HUMAN NEEDS** (Feb., 1992)  
states:

"The overall picture of health and health care in Ukraine is grim, showing signs of imminent emergency alongside chronic degradation and decay...

...The persistent degradation of the environment....due to extensive use of pesticides, inappropriate technologies in chemical and mining industries, along with the virtual absence of water treatment systems has already proven a considerable health hazard.....

"Particular concern is focussed on the diagnosis, monitoring and treatment of thyroid-related pathologies, cancers, hematological diseases and genetic defects in newborns of parents at risk...

(Page 17)

"Over 92 per cent of all women work, most of these in agricultural and industrial occupations....that...expose them to polluted environments.....The Government is now considering legislation prohibiting the employment of pregnant women for hard physical labor or in chemically hazardous working conditions." (Page 18).

"A 1991 study done by the Institute of Nutrition on children in contaminated vs uncontaminated zones found that in both areas 60-75 per cent of children aged 0-3 years had experienced health problems.....

"It is clear that there is an urgent need for further and more precise information the health impact of environmental contamination of all types.".....

"....the international community could play a valuable role in taking some of the initiative and responsibility for conducting such activities..." (Page 26).

The Report of the same Mission to Russia:

**"Health in the Russian Federation with Emphasis on Children & Women"**  
(Feb./March, 1992)

is even more scathing, e.g.

"No other great industrial civilization (has) so systematically and for so long poisoned its land, air, water and people....and no advanced society faces such a bleak political and economic reckoning with so few resources to invest toward recovery." (P. 31).

"..in 1988, children in a city which ranked 14th in the USSR for air pollution, were 3.4 times more often diagnosed with blood diseases than the average..."

"...nuclear radiation is considered to be the most serious current hazard. The immediate and long-term impacts of Chernobyl pale beside a continuing legacy of over one hundred non-military nuclear explosions and accidents, plus an unknown number of military ones, some of which were detonated on the surface." (page 32).

### **3. Critical Environmental Problems and Most Useful Forms of Assistance to CIS (NIS) PARTNERS.**

Critical Environmental Problems have already been listed above in (2) - Health & Women's Issues - and in the Response of SEU to the VEST Protocols.

Note that these issues include both POLLUTION issues and such positive "GREEN" issues as nature reserves, reforestation, public awareness campaigns, legislation and implementation of the Rio agreements. (The Rio Conference was attended by the governments of both Ukraine and Russia)

**Most useful forms of assistance are:**

"Those interested in providing assistance should recognize that the current emergency in the Russian Federation has been caused by a deep economic crisis and the most dramatic decrease in purchasing power suffered by a major industrialized power in the past 50 years." (UNICEF/WHO Collaborative Mission, op. cit, P. 34)

"All activities by the international community on these recommendations should be undertaken in a context of partnership, sensitivity and close collaboration with relevant authorities and local partners at all levels. In planning for assistance, donors should recognize that the Russian Federation has traditionally maintained many well established systems of management, research, information gathering, distribution and components of sophisticated production."

"....It is clear that international assistance can only be a catalyst to assure that the most seriously threatened population groups are protected. Given the size of the country and its population, existing organizational systems and potential resources of the Russian Federation...to view assistance as a catalyst is the most appropriate course of action for the international community."

### **\*Natural Resource Management**

Government and non-government environmental groups in Russian and Ukraine are concerned to preserve and expand the system of "Zapovedniki" or nature reserves and national parks.

In both Ukraine and Russia there are active proposals for large-scale reforestation. In Ukraine this relates to terracing of hill and mountainsides and foresting the tops of ravines to prevent further erosion.

There is also consensus that further dissipation of natural resources must be halted but not a lot of funding or government legislation or regulation to ensure that this happens.

## **\*Pollution Control/Monitoring**

The VEST team was presented with well-planned proposals for pollution control and monitoring, both in Russia and Ukraine. The actual proposals, while clearly relating to areas of government responsibility, were presented by university professors at the non-government meetings.

It seems clear that these professors have come from a State system that no longer is able to fund their work - or, at least, unable to fund it adequately.

## **\*Diagnosis, Treatment, Public Education related to pollution-induced diseases**

The UNICEF/WHO reports already cited, proposals presented to the VEST team and oral requests for assistance indicate a vast area of need. While there is no question that qualified NGOs will find ample opportunity for assistance programs, it would appear that only macro multilateral and bilateral programs will be able to cope with problems of such huge scale.

The exception is the public education capacity of the SEU and other CIS environmental groups, assisted wherever possible by American or other international partners.

## **4. Pre-requisites for Creating Good Partnerships**

The pre-requisites for creating good partnerships in the environmental arena were the same as those in all other sectors:

- Appreciation of the qualifications of Russian and Ukrainian personnel. In the majority of meetings the Russians and Ukrainians had a higher level of education than VEST team members. They were highly professional, knew their field and were quite capable of managing solutions to their own problems.

- Realization that for the foreseeable future the Russian and Ukrainian NGO sectors will be in transition and cannot be equated with the American private sector. For centuries Russians have known only a centralized state-controlled society. Even as a non-government sector struggles to emerge, it is unable to comprehend a system which does not depend on the State for a large portion of its support.

- American PVOs will have to adapt their partnerships to associations which include municipal and country and State participation as well as the quasi non-government sector which is evolving. American PVOs need to give the same latitude to Russian and Ukrainian NGOs as they allow themselves when they take USAID and other funding from the U.S. government to support their programs.

-American PVOs do have much to contribute as partners, cooperating agencies, co-generators of program plans, co-managers of joint ventures, as they share their entrepreneurial traditions and experience of a free society with CIS counterparts.

-There is a real need also for the broader networking and catalytic role described in the chapter on Recommendations for Ukraine.

## **5. Potential Partners and Partnership Resources**

- \*Socio-Ecological Union;

- \*Foundation for Social Innovations;

- \*World Bank;

- \*UNDP/GEF;

- \*Governments of CIS;

- \*City Governments;

- \*Green News;

- \*ISAR member agencies;

- \*Interested American Foundations.

- \*WWF, IUCN, TNC, WRI, COUNTERPART (qua Environmental Specialist Agency), WINROCK, VITA, etc.



## 6. Recommendations

- a. Continue to support the important e-mail networking through SEU and ISAR, which is linking the CIS environmental movement with the lead American and international environmental agencies.

This support not only encourages and strengthens the local CIS NGOs, it also gives them greater visibility and increases the flow of resources from international NGOs and Foundations to them.

- b. Bring the relative strength of the personnel committed to the CIS Environmental sector (non-government and government) to the attention of potential partners who may be able to assist their pitifully inadequate budgets.
- c. Distribute to possible interested AID agencies, PVOs, Foundations and relevant businesses, translation of the urgent environmental program proposals gathered by the VEST team.

e.g. the Odessa, Kiev and St Petersburg water pollution control programs.

e.g. the Chernobyl cleanup and health rehabilitation programs.

e.g. the Odessa reforestation proposals.

- d. Computerize the environmental action proposals already collected, expand these proposals and make available to the U.S. PVT community this valuable library of action opportunities in Russia and Ukraine.

# **ENVIRONMENTAL ORGANIZATIONS -- UKRAINE**

Tom Kelly  
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Perhaps as a major legacy of the Chernobyl disaster, environmental groups are a prominent feature of the NGO landscape in Ukraine. In both Odessa and Kiev they represent a major force which the government has been obliged to recognize and, to a large degree, cooperate with, in addressing social and political concerns.

These concerns go beyond the more widely known effects of Chernobyl. Among the most frequently cited concerns was the quality of water. Extremely high levels of toxic chemical pollution in the entire watershed from the Carpathian mountains to Odessa and the other localities where the watershed empties into the Black Sea are one of the most serious problems highlighted. A graphic manifestation with citizen concern with this problem was the referendum in Odessa in which 85% of the district's population voted to close the Occidental Petroleum facility which is widely considered the largest polluter of Lake Lemman which empties into the Black Sea.

Both environmental NGOs and the government (Department of State for the Environment) expressed concern for this particular case, but because of the economic consequences of shutting down a major industry, local government takes a more callous or pragmatic view of the issue.

Environmental activism by citizen groups has occasionally reversed state decisions, and the political power of various "green" movements in the Ukraine is recognized as a force to be reckoned with. However, only a minuscule percent of the state budget (between .43%-1.73%) is allocated to the environment. It is obvious, particularly in the present economic crisis, that non-governmental organizations will remain prime movers in any environmental activities.

As indicated above, environmental NGOs (E/NGO) cited water pollution as the principal concern. This concern was emphasized across the E/NGO spectrum from groups concerned with the scientific side of water quality analysis to groups concerned with mother/child health to groups, particularly in Odessa, concerned with the development of Black Sea tourism.

It should be noted that Black Sea tourism was cited as a economically sound alternative to putting chemical industries along the Ukrainian coast. Both government and E/NGO's cited the increasing presence of toxins in therapeutic mud flats in the Odessa area as a prime example of ecological damage to an economically important natural resource. This particular problem requires long term solutions, and substantial technical inputs.

On the technical side was also the recurrent and consistent problem of technical capacity for water quality analysis. The scientific/academic E/NGOs, of which there were many in both Odessa and Kiev, demonstrated substantial human resources of the highest quality. The problem most frequently cited in both places was the lack of technical equipment for useful scientific analysis of water toxicity. The importance of accurate analysis was relevant to two of the most important practical responses to water pollution: In controlling industrial pollution it is necessary to identify the specific toxic elements in order to enforce bans on specific inputs and determine appropriate cleaning procedures to require of the industry. Accurate analysis of drinking water contaminants is essential to establishing appropriate treatment procedures. One of the scientific NGO organizations cited a case where chlorine, reacted with some unknown toxin to create an even more dangerous combination. Both governmental and E/NGO entities stressed that the human scientific expertise was readily available, and that proper technical equipment and suppliers was the crucial problem. They also indicated that in order for the E/NGO's to fulfill their role as a counter to government inaction on water quality control, financial resources were needed to assure the continued involvement of qualified scientific personnel.

One was particularly impressed with the determination and persistence of the E/NGO's in the face of continuing official inaction and, in some cases, antagonism. Where less dedicated individuals would have long succumbed to a sense of fatalism, and it was readily admitted, that some had, the groups encountered seemed thoroughly committed to continuing to fight to save their natural resources for future generations.

There were moving examples of E/NGOs which were actively involved in instilling a sense of environmental awareness in the present generation of school children. Perhaps more important for the short term, however, were the efforts aimed at keeping environmental concerns in the public eye. From inside the Kremlin walls (Yablokov) to a group of activist mothers in Kiev, the impact of the print media on citizen awareness of environmental issues was consistently cited as the key element in maintaining the vitality of the environmental movement. "Green World" newspapers appear to have substantial circulation and impact. They were cited by beleaguered but sympathetic government environmental officials as useful tools in supporting their efforts to establish the environment as a factor for decision making in the present climate of economic crisis. In Kiev, for example, the Vice-Minister for the Ministry of Environment (controlled almost totally by the members of the Green Party) indicated that, because of the wide audience for environmental publications, it was relatively easy to mobilize the public in support of crucial issues. It does not appear that the Green Party controls or even orchestrates citizen environmental activism to any degree except where there is a congruence on a specific issue. It does appear, however, that the mutuality of concern stimulates a natural cooperation between E/NGOs and the Ministry of Environment in Ukraine. Thus, while open criticism of the Ministry was expressed at a joint meeting in Kiev by E/NGOs, the strength of the working relationship was evident.

The strength of the E/NGO sector, together with the marriage of interest between it and the state environmental agencies, which are relatively weak in terms of state resources they receive, presents an especially attractive point of intervention by AID as well as the U.S. PVT sector.

The fact that the priority concerns expressed by both sides relate to water quality as a focal point of both environmental and health bring the area of intervention even more clearly within the scope of existing AID programs. Furthermore, they would exhibit concern of the U.S. government for two sectors of high importance to the population in general, as well as strengthen an existing bond between the state and NGOs in service to the general population which reflects the working relationship between U.S. PVOs and their government.

Recommendations:

1. That AID/w and AID/Kiev adopt water quality improvement as a priority concern for initial AID intervention in Ukraine.

a. There are a number of immediately available mechanisms which can be utilized to begin the process from problem identification to project design. The WASH (Water and Sanitation for Health) is one such option. The proposed NIS Task Force grant for environmental PVO/NGO collaboration is another.

In view of the long experience of AID with water quality projects around the world, it should not be necessary to detail what the appropriate steps would be in this paper.

2. That U.S. PVOs working on environmental issues urgently establish working relationships (some have begun the process) with Ukrainian NGOs to insure the continued momentum of public awareness media in the Ukraine. To the extent that it is permitted, AID and EPA funding aimed specifically at environmental activities should be targeted at these activities over the immediate short term until more project specific interventions can be designed.

# ***AGRICULTURE/ENTERPRISE IN RUSSIA AND UKRAINE***

Ed Bullard  
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Technoserve

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## **A Cautionary Note**

The author spent a total of only 17 days in Russia and Ukraine. It was his first visit to the former Soviet Union. It must be recognized that the subject of agriculture in Russia and Ukraine is both vast and complex. The comments and conclusions which follow must be read in this context.

## **Previous Assessments**

A large number of in-depth assessments of the agricultural sector have already been undertaken. The United States sent three missions to the Soviet Union in 1991. The Peace Corps undertook assessments in Russia and Ukraine in April and May of 1992. High-level missions from many other countries are currently in Ukraine and in Russia. Massive amounts of additional data and studies are available.

## **AGRICULTURE/ENTERPRISE IN RUSSIA AND UKRAINE**

### **Background**

It is estimated there are 30,000 state farms and collectives in Russia today, along with 10,000 or more in Ukraine. With an average of perhaps 4,000 hectares each, these 40,000 farms encompass 160 million hectares, or 350 million acres. In excess of 10 million families are engaged in agriculture.

With the state still retaining ownership of 96% of the land and with the laws regulating private ownership of land remaining in flux, progress towards privatization has been confused. Some state farms claim to be leasing their land from the state and operating their farms as private enterprises.

One informant indicates that 20% of the big state farms are doing well.

Some regulations seem to provide for approximately 5% to 10% of the state farms' holdings to be broken off and converted into small, privately-owned farms. These farms might average 20 hectares in size. One estimate puts the number of such privately held farms at 150,000.

There seems to be great diversity of opinion as to how to structure farming and agriculture in Russia and Ukraine. The author identified at least six options:

1. Old Communist System of State Farms and Collectives--Completely discredited and only supported by a very few of the old guard.
2. Local Management--Some arrangement whereby the state still owns the enterprise, but local managers are free to make appropriate business decisions. A variation on this theme is the creation of local stock companies or cooperatives, where the big state farms are not broken up, but are run as major private agricultural enterprises.
3. Newly Created 20-Hectare Private Farms--Small farms owned by individual farmers.
4. Major Subdivisions of State Farms--In this case, the big 4,000-hectare farms would be broken up into perhaps ten farms of 400 hectares each, and these would be owned and managed by groups of farmers.
5. Parceling--A scheme patterned after land reform programs in Latin America, whereby title to individual, adjacent plots is taken by individual farmers, but they all belong to one cooperative from which they get necessary central services.
6. Mini Farming--An idea of breaking up land into very small plots on which houses and backyard gardens are developed.

Under the current state farm system, most employees/farmers working on these major farms live in villages and, behind each of their houses, is a small backyard garden. These gardens are generally quite productive.

On October 6, 1992, the New York Times reported that Russian Agricultural Minister Viktor N. Khlystun envisions that, eventually, "half of Russia's farms will be large associations, 20 percent small cooperatives, and 20 percent individual farms, with 10 percent remaining with the state."

### Findings

The validity of many of the following generalizations are not agreed to by all informants; however, the author puts them forward as his findings.

It is generally agreed that there cannot be a radical movement attempting to privatize the 40,000 major state farms and collectives. The vast majority of food and fiber produced in Russia and Ukraine still come from these massive farming units. It took 70 years to put them together. Immediately dismantling them could be disastrous.

A two-pronged approach involving making the major state farms more productive and efficient, while at the same time experimenting on a small scale with various forms of privatization, seems to be the most prudent course.

(The author's personal observation of two state farms, plus considerable second-hand information, indicate that the state farms are perhaps running better than expected and do have considerable potential. The level of technology is moderately high and the technical expertise of the farm managers is often quite good. The managers are capable when it comes to organizing and implementing discreet activities.)

(I saw a showcase state farm which was utilizing the most advanced potato growing, harvesting and storage technology from Holland. It also ran a 600-head dairy herd, which was completely computerized.)

I gather that the condition of the capital equipment on most state farms is fair to poor, but not necessarily disastrous. Large tractors, combines, automatic milking machines, simple processing equipment, etc. seem to be frequently available.

The area where state farm managers are obviously weak relates to operating in a free market economy. They have some idea of what this entails; but, between their lack of experience and currently existing impediments, it is difficult for them to move forward.

The creation of well-run, market-responsive processing and distribution enterprises and/or further vertical integration of processing on the major state farms is a must. A typical bottleneck involves a state farm producing milk, which it runs through its cooling shed. The pasteurizing plant and cheese making facility is a state-run monopoly in the next town. That monopoly is not well-run and is not market responsive, thus often leaving the state farm with milk it cannot process. In this particular case, that large state farm is building its own pasteurizing and cheese producing plant, along with a small meat processing plant.

Careful consideration of economies of scale need to be made when considering centralized processing activities versus on-farm processing.

The 40,000 state farms perform many social functions in addition to their economic functions. Through the state farms/collective system, schools, clinics, electricity, water, natural gas, transportation, etc. are provided to the workers' families who live in villages adjacent to the state farm. It is generally recognized that it would be impossible for the state or municipalities to pick up these social functions at the present time.

As a generalization, it appears that women are more likely to be doing the "stoop" labor, whereas men are driving the tractors. Similarly, in factories, women wrap insulation while men run heavy machine tools. Nevertheless, when it comes to discussions of current or proposed ownership, it appears women are equally entitled to their pro rata share of such ownership. (This is most clear in the factory situations.)

It seems apparent that most of the major state farms are overstaffed and are absorbing excess labor. This presents a major problem. To make the farms more competitive, people will have to be laid off. How such people will then be provided for is not clear.

### Findings of Special Note

To repeat, the agricultural sector in Russia and Ukraine is immense, both in size and in importance. Any form of assistance must taken into account this scope and scale. No sort of simplistic, short-term farm visits will address the structural needs of 40,000 state farms.

There seems no choice but, in the first instance, to make the state farms and collectives more productive and profitable. There is nothing immediately available to take their place.

The governments of Russia and Ukraine must more clearly articulate the ground rules regarding ownership, private property, leasing, profit distribution, quotas, etc. before rational business decisions can be made.

Increasing productivity, right sizing, creation of appropriate incentive systems, appropriate labor force are among the many problems that need to be addressed as soon as possible.

It was made exceptionally clear to me that there was no simple package of technology, management know-how, or marketing strategies that could be brought from the United States and given to our Russian and Ukrainian colleagues. The process which was described to me many times, was one of sharing knowledge at a fairly high level and, through that sharing process, to create new knowledge. This co-generation of knowledge could be of sufficient significance to have an impact on the massive agricultural sector.

With so many differing opinions regarding the appropriate approach to revitalizing the agricultural sector currently in vogue in Russia and Ukraine, it was not possible for the author to identify one or more local NGOs with which to cooperate on a project of co-generation of knowledge. On the other hand, the local NGOs which are operating in Russia and Ukraine are operating at such a small and peripheral level that it is hard to see how they can contribute to solving problems of the magnitude described above.

Russia and Ukraine have historically been able to more than adequately feed themselves. There is no question in my mind but what this potential continues to be present.



## Recommendations Regarding Agriculture in Russian and Ukraine

The author is proposing two modest programs for discussion purposes. These programs could have broad impact and be consistent with the concept of meeting our Russian and Ukrainian colleagues as equals while solving problems together.

### I. Knowledge Co-Generation Relating to Agricultural Management and Technical Assistance

TechnoServe could conduct one or a series of seminars/discussions with state farm managers and/or leaders of the agricultural sector on such subjects as alternate organizations and structures appropriate for the market economies, management incentives, right sizing, productivity, vertical integration, economies of scale, etc. The focus would be on how, in the short term, to make existing state farms and collectives more productive and profitable while operating in the new market economy.

Some other organization in Russian and/or Ukraine would have to provide the setting for such an intellectual undertaking and also be responsible for logistics, local costs, translators, etc. TechnoServe would require full funding for these activities (without a matching requirement), and such funding would need to cover TechnoServe's cost of assembling its relevant 25-year knowledge base appropriate for the seminars.

There is a question as to whether a high-impact, sustained intellectual interchange of this nature can be undertaken without the presence of some sort of permanent "Institute" to serve as the locus for these activities.

### II. Case Studies

TechnoServe is currently producing a series of case studies for use by U.S. universities relating to agriculture and development. Some of these case studies, or newly created ones, could be developed for use in Russia and Ukraine. As a first step, TechnoServe will contact Dr. Elena V. Ivankina of the Academy of National Economy in Moscow and share some sample case studies. These studies could be used in the Academy's new special agribusiness program and might be expanded for use elsewhere.

The first step in this process does not require funding in order to have appropriate impact; however, future funding covering all costs of the program would be required.

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## Closing Observations

During my stay in Russia and Ukraine, I made a special effort to get off the beaten path and listen to people from many walks of life. I asked them why and how the United States might be most helpful. A very high percentage of the respondents indicated they were anxious to have an intellectual interchange with the United States--to work with their former cold war adversaries on the solution of the difficult problems Russia and Ukraine now face. The Russians and Ukrainians did not want these meetings structured with teachers and students, or donors and recipients. They wanted a context of equality.

Almost without exception, these people felt very negatively about the humanitarian food aid being provided to the CIS by the United States. They felt assistance would be only a drop in the bucket, demeaning and likely to divert attention from the real problems which need to be addressed.

# **HEALTH SECTOR: RUSSIA AND UKRAINE**

Adrienne Allison

Vice President

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## **RUSSIA**

### **BACKGROUND:**

There is a health emergency in Russia. For decades, the health system has been chronically neglected and severely under-funded. Health care facilities barely function because of poorly trained health personnel, and a minimum level of equipment, supplies and pharmaceutical, all compounded by the population's lack of knowledge about basic health practices.

Health statistics confirm our findings. The infant mortality rate is at least 25 per thousand and unofficially estimated to be 53 per thousand in 1990 and rising. Since 1989, birth rates have been decreasing sharply, falling from 16.6 in 1989 to 13.4 in 1990 to 12.0 in 1991, and to an estimated 11.2 in the first 6 months of 1992. By June 1991, according to the Ministry of Health, there was a negative population growth for the first time in Russia (UNICEF/WHO Report, March 1992). Declining birth rates are directly attributed to rising levels of economic stress.

Maternal mortality in 1989 was 47 per 100,000 women as estimated by the 1989 census. Maternal mortality rose to 53 per 100,000 in Russia, and 20 per 100,000 in Moscow in 1990. Induced abortions with resulting neoplasms of the reproductive system are considered to be the leading factor contributing to the high level of female mortality.

As birth rates fall, abortion rates rise because abortion continues to be the primary, and, for most of the population, the only method of fertility regulation. In 1991, there were at least 120 abortions for every 100 births, a figure which includes pregnancies terminated within the first four weeks but not officially recorded as abortions. There is little historical data on abortion in Russia because no official statistics were collected between 1929 and 1988. Sample surveys indicate that approximately 80 percent of abortions in Russia directly result from a lack of efficient methods of birth control. A recent survey in Russia found that 70 percent of patients at women's health centers were not informed about contraception and 90 percent of the reasons for selecting, or not, a method of contraception related to contraceptive availability (POPOV, Population Council, 1991). With this high proportion of abortion, and a contraception prevalence rate of 12.3 percent (IUD users account for 17.2 percent and oral contraceptive users for 1.7 percent), the Ministry of Health rates the reduction of abortion and the introduction of

modern methods of contraception as one of Russia's most important medical and social priorities (UNICEF/WHO, March 1992).

Sterilization was restricted from 1933 to 1990. It is now permitted under specific conditions, but use of this method is further limited by the absence of demand, specialists and equipment. Male sterilization is simply not practiced.

There is an alarming gap between the desired and actual levels of women's reproductive health due to purposeful misinformation, reflecting more than fifty years of political will which have sharply limited demand for contraceptives. This is compounded by a critical shortage of modern contraceptives, particularly oral contraception and Copper T 380A IUDs. Oral contraception and modern IUDs are generally not available. Health authorities recognize that immediate ameliorative action is needed, but have no way to respond because of severely depleted public resources.

National production of condoms fall far short of demand, despite the immediate need to forestall a more serious situation in the spread of AIDS and other sexually transmitted diseases--40 percent of seropositives are women and 60 percent are men. Between 1987 and 1991 there were 1263 seropositives in the USSR of which 288 were children less than 14 years of age. Official policy states that all pregnant women and all hospitalized patients are to be tested for HIV, but only Moscow appears to have any capacity to screen for HIV, although this may be utilized intermittently.

There is an urgent need for information, education and communication in women's reproductive health and AIDS in Moscow and throughout Russia. Women remain remarkably uninformed about their health and their bodies.

The status of women in Russia appears to have remained stagnant over the past 70 years. The equality practiced in theory under the communist regime was never actually realized--reproductive health care is a prime manifestation of their secondary status.

Specific effects of environmental pollutants on children have been widely reported. While it is still difficult to show direct cause and effect linkages, prevalence statistics portray an alarming situation. For example, "incidence of bronchial asthma among children in Moscow rose seven-fold between 1949 and 1981," and in a major industrial city "ratio of congenital abnormalities among children quadrupled, malignant tumors almost doubled and the incidence of digestive tract infection and kidney diseases rose by 79 and 74 percent respectively, between 1988 and 1990." (UNICEF/WHO, March 1992)

Nuclear radiation is considered to be the most serious current hazard. The immediate and long-term impacts of Chernobyl are but a minor reflection of nuclear devastation in the Ural Mountains which is estimated to have experienced over 100 non-military nuclear explosions and accidents. While most of the Russian population is protected to some degree by standard

environmental controls such as water and sewage treatment, these facilities are all in urgent need of maintenance and modernization.

**Control of vaccine preventable diseases:** Because of lack of vaccines and the adverse attitude of health personnel and the general public towards immunization, diphtheria incidence reached an epidemic level in 1991 (1.3 cases per 100,000 population). Vaccine shortages contribute to rising incidence of pertussis and to an anticipated rise in measles. Currently EPI (expanded program of immunization) materials and training methods are not being used in medical and paramedical schools or in post graduate or service training programs. It is estimated that about 40 percent of eligible children were not immunized with BCG vaccine in 1991--vaccine is used mainly for infants and booster doses have been suspended, (UNICEF/WHO, 1992).

**Pharmaceutical, Supplies, and Equipment:** In 1991, 35 percent of required drugs were produced nationally and 25 percent were imported. Together, 60 percent of needs were covered. With the devaluation of the ruble and lack of hard currency in 1992, importation has virtually ceased and domestic manufacturing greatly reduced. Even among essential drugs and medical supplies, several are not manufactured in Russia and some not anywhere in the CIS. In short, nothing is readily available and most are not available at any price.

**The Impact of the Economy on Health:** As the nation struggles to shift to a market economy and trade collapses within the CIS and between it and countries of Eastern Europe and the world, the formerly state-supported safety nets continue to erode. Concomitantly, the numbers of the most vulnerable, pensioners, low income families, women and children, are increasing. The Ministry of Labor, in early 1992, put the "minimum existence basket, including rent and medicine", at 550 rubles per month. The UNICEF/WHO report of March 1992 estimates that if this figure were 500 rubles per month, over 23 million people would be living below the poverty level.

Since then, inflation has accelerated and the purchasing power of fixed government pensions of 320-420 rubles per month has declined even more. In 1992 compared to 1991, the consumption of meat, sausage, sugar, fish and eggs declined by 50 percent, fruit by 48 percent and vegetables of 18 percent (Rossiyskaya Gazeta, 1992 7/8). The price of one kilo of potatoes increased from 11 to 18 rubles in June alone. Real income of pensioners in March 1992 amounted to 48 percent of what they had in November 1991 (Russian Federation Labor Ministry). Child care centers and kindergartens have closed as costs rise and parents can no longer afford monthly payments.

## **FINDINGS**

In October 1990, the Law on Public Organization was adopted permitting the development of the NGO sector. Today, there are more than 40,000 NGOs and another 10,000 religious organizations in Russia. From our limited observations, those NGOs centered on politics and business predominate. Those which focus on health and welfare are still new and struggling to gain technical expertise and financial support. Health care, including reproductive health care,

is still almost exclusively the responsibility of the weakened and impoverished government systems.

There are several international NGOs working on various aspects of health care service delivery. These include CARE Deutschland and CARE USA, Caritas, the German Red Cross, International Center for Better Health, International Federation of Red Cross and Red Crescent Societies, International Women's Club Welfare Group, Mediciens Sans Frontiers (Belgium), Project HOPE, Salvation Army and World Vision.

There appears to be far fewer Russian organizations with a similar focus on health care services and humanitarian assistance. I was able to meet with two of them, the International Women's Center and the Moscow Center of Health Problems. Both organizations continue to benefit from their links to the Russian and Moscow governments.

The International Women's Center was founded and directed by Alexandra Momdjan, a long-time women's leader and former advisor to Mikhail Gorbachev. She visited the US last year to research women's health issues and returned to Moscow with financial assistance from FPIA (Family Planning International) to begin a non-governmental family planning program for health clinics in three universities and at 18 factories. In 1991, the Center's service programs reached 16,000 women. This year, she again visited the US to study women's business programs, as many of the opportunities available to women, during the conversion from a planned economy to a market economy, will be in business. In 1993 the Center plans to open a Women in Business program to train women in business management and to offer legal advice for potential entrepreneurs.

The Center is also partially supported by the Family Planning Association of Japan. The center is seeking additional support to open a community-based women's reproductive health center in another prefecture in Moscow. Because of the Center's good relationship with the Russian government, their centrally located, well-equipped offices are rent-free. This year the Center is training sixty social workers in counselling on temporary methods of contraception and AIDS prevention. Momdjan would like to develop a computer program to teach adolescents about reproduction and contraception because "lasting change will only come from educating the youth".

The Moscow Center of Health Problems, attached to the government of Moscow, was founded by Professor Alexander Razumov. This modern center, with a skylight lit pool and workout equipment, is open to the fee-paying public. The center is "financed" by Dr. Razumov and his colleagues which may mean that some recurring costs are recovered through fees charged. Dr. Razumov showed us the model of his planned "international health center", a 23 story tower with adjacent buildings covering several acres. The proposed center would focus on the "rehabilitation of functional disorders" through traditional and non-traditional approaches to medicine and would be supported by fee-paying clients. He said this building complex would be tangible evidence of international assistance, unlike "all the humanitarian aid that is now coming to Russia that no one sees." He is planning to hold a conference on "Business,

Medicine, Health and Society" in October 1993 in Moscow. Current speculation is that Dr. Razumov will become the next Russian Minister of Health. If so, his perception and priorities are worth noting.

Alexander Leshkivich, Vice Chairman, Department of Women and Children, in the Moscow Municipal Health Department presented a different perspective on health priorities. Since May 1992 the Moscow Municipal Health Department has been supported through city funds, only, with no additional support from the Russian Federation. Because maternal and child health is a top priority, municipal funding for the Health Department has just been increased, but he did not say what this increase actually meant.

Moscow, a city of nine million, has 50 "birth houses" (maternity hospitals), equipped with 56 resuscitation machines of which 15 are in working condition. Generally, newborns are not resuscitated and if they die within the first two hours after birth, the birth is not included in official statistical records.

Maternal mortality is a major problem which is worsening. In Moscow, in 1991, there were 84,000 births, 180,000 registered abortions and an unregistered, but estimated 20,000 mini abortions (abortions performed within the first 28 days) or a total of 200,000 abortions. Officially, there were 135,000 abortions performed in Moscow in 1991, but Leshkivich said there was no longer any point in obscuring the true magnitude of the problem. (These data would mean 2.5 abortions for every birth, the highest abortion rate in Europe with the exception of Romania). He attributed this level of abortions to the acute need for accessible, effective and affordable contraception. He estimated that just one percent of women use oral contraceptives, fifteen percent use metal IUDs which are poorly tolerated by most women, and the rest rely on abortions. Since economic reforms were introduced in 1989, birth rates have been steadily declining to the point where they are now, for the first time, below replacement level. Because pharmaceuticals are increasingly scarce, the number of abortions in Moscow is now rising. He said the prevalence of abortions (with women having from 8 to 30 throughout their reproductive years) had a direct impact on maternal mortality. In 1991, there were 47 maternal deaths plus 56 "high risk" maternal deaths, or a total of 103 deaths for 84,000 births. Leshkivich wants to open family planning clinics in each of the ten prefectures to help women learn about and begin to use oral contraceptives. He also wants to educate social workers and, most important, teenagers who remain ignorant about reproduction. He foresaw no problem with parents or with the Russian Orthodox Church on this issue. Although he gave no statistics, he said that AIDS in Moscow was still not a problem.

We were fortunate enough to be invited to visit Municipal Hospital Number 70 - now renamed St. Serguis' Hospital for Peace and Charity, directed by Dr. Alexander Goldberg. The Assistant Director, Dr. Lapaquine, showed us through the hospital and praised the way its staff practiced "world-class techniques." The hospital, built 25 years ago, looked as if it had been built 75 years ago. Only one in four beds were occupied. Dr. Lapaquine said that in 1988 and 1989, there were 30,000 to 35,000 births here annually. This year he estimates there will be only 18,000.

I saw no sterilization equipment of any sort. Instruments were reportedly put into a "chemical bath" to ensure sterility. These "chemicals" are increasingly difficult to obtain in adequate quantities. The delivery room contained four narrow delivery beds, with no curtains to separate them. Two women were actually in labor when we were invited in to see the room's facilities. Similarly, there were no privacy curtains around the beds or in the shower rooms. The rooms were stark; the care givers were grim. Silent babies lay tightly swaddled in old metal cribs. Until recently, bed pans had been stored on the floor; surgical containers were worn enamel pails.

Each patient has her own refrigerator to store food brought by relatives, because the quantity and quality of food in government-supported institutions has declined consistently. (The food is cooked in a distant kitchen facility and trundled across the grounds to the hospital to be reheated and served). Because no one is allowed to visit the hospital, patients put signs in their hospital windows to let their husbands and families know where they are, and food is then lifted up the exterior wall and through the window using a make-shift pulley system.

The hospital makes its own intravenous solution. Its three functioning incubators were donated by hospitals in Western Europe. Dr. Lapaquine did not seem to realize how poorly the hospital was equipped and how inadequate and outdated the care really was. He has never been to the West. His motivation and commitment however, have helped to make this hospital one of Moscow's best.

The MiraMed-Magee Hospital project, directed by Dr. Juliette Engell, hopes to establish a model birthing center which will introduce the best approach to maternity care. A newly successful Russian builder will donate the time and materials required to remodel one floor of Hospital 70 to meet the standards of the Miramed-Magee program. Because of the commitment of the hospital directors, and the support (moral, physical and financial) of Miramed-Magee staff, this hospital may be the catalyst required to introduce more competent and caring approaches to childbirth in Moscow.

### **RECOMMENDATIONS: Strategies that will make a difference**

#### **Short Term:**

1. Workshops are needed to develop effective approaches to bi-cultural communications and collaboration between US NGOs and their Russian counterparts.
2. NGOs urgently need training in institution building, with a special focus on management, accountability and sustainability.
3. Trained women are needed to counsel women on effective and safe methods of contraception.
4. Women's reproductive health centers need to be opened to provide a model for services.



5. Focus group studies are needed to assess knowledge and attitudes of women about reproductive health.

### **Long Term:**

1. Develop the abilities of counterpart NGOs to provide training in institution building, management and accounting.
2. With counterparts, open model centers for women's reproductive health care, in key areas of Moscow and St. Petersburg, with a special emphasis on counselling training and provision of oral contraceptives.
3. Revise medical, nursing and social workers school curriculum to include training in contraception and improved birthing practices.
4. Develop new supply systems for equipment, pharmaceutical and supplies and provide training in correct usage.

## **UKRAINE**

### **BACKGROUND:**

In early 1992, the UNICEF/WHO assessment of Ukraine reported the "The overall picture of health and health care in Ukraine is grim, showing signs of imminent emergency alongside chronic degradation and decay." Vaccines, drugs, and supplies are urgently needed and in extremely short supply. The little anaesthetic, sterilization and surgical equipment we observed is antiquated, overused, or in disrepair. Within the past three years, the people of Ukraine have begun to realize the extent of their environmental degradation from extensive use of pesticides, unsafe chemical and mining industries, and the virtual absence of water treatment systems. Compounding this is the grim reality of Chernobyl, the contamination with radionuclides of the water supply for 35 million of Ukraine's 52 million people, and 46 percent of Ukrainian territory. The health repercussions of Chernobyl have become increasingly evident--as the incidents of thyroid-related pathologies, cancers, hematological diseases and genetic defects found in infants rises.

The birth rate has declined steadily since 1985, going from 15 per 1000 to 12.2 per 1000 in 1991. Infant mortality has risen from 12.3 per 1000 in 1990 to 13.3 per 1000 in 1991. Congenital defects are said to be rising and now rank as the second leading cause of infant death after complications of child birth such as asphyxia and trauma. The leading cause of infant mortality, birth complications, mirrors the acute lack of equipment and hard currency for imports of pharmaceuticals, drugs and supplies

In 1989, maternal mortality was a relatively high 32.7 per 100,000 live births, due to substandard conditions, birthing practices and abortion-related complications. Currently only 30 percent of all deliveries are described as normal. The health of mothers and children is jeopardized by the use of abortion as the most common method of controlling fertility. Out of 1.6 million pregnancies in the Ukraine, 700,000 were terminated in abortions, a ratio of approximately 800 abortions per 1000 live births. It is estimated that 7 out of 10 abortions do not take place in a hospital setting, and are therefore not officially recorded, so the true level of abortions may actually be very much higher. The number of abortions being conducted privately, where there is greater access to anesthetics through the private sector, is increasing.

The contraceptive prevalence rate is about 17 percent, similar to that in Russia, of which 13 to 14 percent of women use IUDs and 3 to 4 percent use oral contraceptives. The deleterious effect of abortions as the main method of controlling birth is particularly pronounced in areas effected by Chernobyl, where women's general state of health is already lowered and where there is a high level of anemia.

Family planning services are available in theory but not in practice. There are 5000 obstetricians-gynecologists in the country, but the majority receive only one two-hour course in reproductive health and modern contraception as medical students. Family planning is not included in the curricula for midwives or paramedics. UNICEF/WHO (1992) reports that recently, post graduate training in contraception has been introduced for 100 doctors per year, but the trainers themselves lack sufficient knowledge of the subject and have no manuals or guidelines to use in their teaching.

The extremely limited existing demand for contraceptives is reported to have been met for 1992 (UNICEF/WHO Report, 1992). There is no local production of IUDs or condoms. The latter, imported from Asia, continue to be found on the shelves because they are too expensive for the average person who cannot afford to buy them.

Estimates on the prevalence of HIV infection vary widely. The WHO estimates that there could be over 500 HIV infected individuals in Ukraine. The primary means of transmission is sexual, accounting for 53 to 56 percent of all reported cases. Transmission through unscreened blood accounted for 40 percent of seropositives. The majority of infected individuals live in Kiev and along the Black Sea.

**Vaccine-Preventative Diseases:** Vaccines are not produced in Ukraine, and supplies have been seriously jeopardized by the breakup of the Soviet Union. Measle vaccines are in increasingly short supply. Inadequate cold chain equipment and a total absence of cold boxes constitute a threat to vaccine quality. There is also an acute shortage of syringes.

**Drugs and Equipment:** Ukraine produces only 11 percent of its pharmaceutical needs and supplies of essential drugs are almost, or completely, depleted. In 1992, it is estimated that only 20 percent of equipment needs will be met, but the local concept of "needed equipment" is minimal enough to make this estimate almost meaningless. Supplies of incubators, resuscitators,

surgical tables and instruments, blood pressure manometers, etc. have been severely inadequate for the past several years and the situation is deteriorating even further.

**Nutrition:** The effects of economic transition are evident in changing nutrition patterns. In 1991, compared to 1990, people ate 5 to 8 percent less meat, milk and eggs and the already very low consumption of fruit and vegetables dropped by 20 to 30 percent. Food sold in the open market is many times more costly than sold through state stores and is therefore beyond the reach of many who are most in need. There is food in shops, on the street corners and in the markets, because many cannot afford to buy it.

**Environmental Factors in Health:** The Chernobyl Nuclear Power Plant accident had a massive impact on the health of the population of Ukraine, and to a lesser extent, CIS and Western Europe when wind carried deadly clouds of black smoke that were 10 times more radioactive than the atomic bomb dropped on Hiroshima. For 4 years following the explosion in April, 1986, the government withheld information concerning the nature and effects of the accident including the fact that low level radiation had spread south toward Kiev, and north west into Byelorussia and Russia. The contamination level of 46 percent of Ukraine is more than 1 curie per square kilometer. Seven million hectares of arable land are now unfit for production, and Ukraine's largest river, the Dnieper, the source of water for 35 million inhabitants is now contaminated with radionuclides. More than 5 million people, including 1 million children were exposed to intense radiation. To date, 650,000 people infected by radiation have been registered in a unified, nationwide system of registration.

The impact of the accident on health is intense. A substantial increase in birth defects, respiratory diseases, thyroid modular hyperplasia and thyroid cancer has been observed. Much of the population is now obsessed with the threat of illness and death.

Chernobyl presents several problems unique to Ukraine: a) approximately 10 to 12 tons of nuclear fuel exploded in the atmosphere and 180 tons are still buried under ruins of the fourth reactor; b) soil, machinery and equipment totalling a volume of 1.2 million cubic meters were contaminated with radioactivity in over 800 sites which all must be monitored and controlled; c) the effected population, still not fully enumerated, faces considerable cancer and genetic risks.

## **FINDINGS:**

NGOs in Ukraine are now establishing themselves or re-orienting themselves to respond to the health crisis. Twenty-six organizations have been created in Odessa over the past 3 years to assist victims of Chernobyl, and another 120, with other areas of concentration, have been registered. These groups have constructive working relationships with the Ministry of Health, which recognizes that government resources alone are too limited to meet current needs. Some leaders did, however point out that when drugs, supplies, and equipment were sent to them from abroad they were used instead by the Ministry of Health and never reached their intended recipients.

The Red Cross, one of the first NGOs established in Odessa before the turn of the century, serves as a model for NGOs now in their formative stages. Its leaders are drawing upon its past to help define its future. In 1937 all its buildings and assets were confiscated and the organization disbanded. Following its rebirth three years ago, it has identified its role and begun to receive financial support from a small group of emerging entrepreneurs, principally the shipping industry. Its structure and governance has been a model for the clusters of NGOs that have sprung up under the umbrella Soyuz Chernobyl Organization.

The Soyuz Chernobyl Organization, registered with the Ministry of Justice, is staffed by a chairman, a vice chairman, one doctor, one lawyer and a secretary-bookkeeper. It has a small paid administrative staff. This staff is augmented by volunteers, the heads of more than seven Chernobyl-related organizations, The National Foundation for Help to Chernobyl Invalids, Ukrainian Foundation for the Victims of Chernobyl, The Children's Foundation, The Society of Disabled Children of Chernobyl, etc. The representatives of all the Chernobyl-related organizations were quick to discuss the types of problems they addressed, and the numbers of people served. They were more vague, or even uncertain, in their discussions of their funding sources and their budgets. The budget for the Soyuz Chernobyl Organization in 1991 was 960,000 rubles of which 100,000 went to the families of victims to help them provide home care, 224,000 rubles was used to send afflicted children to summer camps, 500,000 rubles was used to equip treatment centers and 139,000 rubles was used for laboratory tests. (As of October 1, 1992 the official exchange rate was 310 rubles to \$1 US.)

The Odessa region has been far less affected by Chernobyl than other areas of Ukraine. It is not in fact, even marked as an affected area on the map of Ukraine by the Ministry of Health in Kiev. But even Odessa is confronted by severe problems and extremely limited resources. As the close of one of our many meetings, the head of one organization said "We have problems and we are trying to solve them." This honest, frank remark captured the essence of the NGO community, as we found it, throughout Ukraine.

The Deputy Chief of the Department of Health, Dr. Inna Barduzhbuich, was very open about the health problems confronting Ukraine. The health sector receives only 2.5 percent of the total Ukrainian national budget. For years it has been severely under funded. Because technical skills of physicians, nurses and paramedical staff have been eroding for the past 40 years, she welcomes all forms of technical exchanges. ("Assistance" is not welcomed.) Equipment and supplies are urgently needed. For example, Odessa, a port on the Black Sea, does not have the capacity to screen blood for the HIV virus. If blood specimens look "suspicious" they are sent to Kiev or Moscow for further testing, but it is not clear that even Kiev's laboratories are now able to screen for this virus. We were able to confirm later, in Kiev that they do not have the capacity to screen. It is not clear that they have the political links to be able to send samples to Moscow. Because the quality of blood supply is so uncertain, hospital staff are constantly called upon to donate their own.

Maternal mortality is rising as the economy and health care decline. The rise in maternal mortality is exacerbated by the predominant reliance on abortion as the primary means of

fertility regulation. Dr. Barduzhevich estimated that a woman has from 8 to 30 abortions, often performed outside a medical facility, by the end of her reproductive years. There is an acute need for women's reproductive health care, particularly contraceptive information services.

Teenage pregnancies and abortions are increasing as old social structures evolve into the new. Because teenagers have not been taught about reproduction or contraception and knew very little about AIDS, there is an immediate need for educational programs and services designed specifically to them.

As we toured her hospital, Hospital No.7, the best birth house in Odessa, we saw conditions similar to those in Russia: "chemical baths" were used to sterilize equipment; the facilities and equipment were minimal; the technologies and practices were outdated or entirely unfamiliar. Again we were told that infant mortality was rising and birth rates falling to below replacement levels.

In Kiev, Ministry of Health officials discussed the importance of opening a model clinic that was well managed, and well equipped and with a staff that was technically sound. Drugs are no longer available through state stores but only through private outlets which are financially beyond the reach of nine-tenths of the population. The Ministry also confirmed they do not have the ability to screen for HIV infection. There is no equipment to make plasma, insufficient quantities of insulin and penicillin and only capacity for a limited level of local, not full anesthesia.

Representatives of women's organizations, such as Mama '86 expressed their eagerness to develop linkages with U.S. NGOs which share similar values and concerns. They are actively exploring new approaches to raising financial support for service delivery programs. (Aid to Artisans and CEDPA, together with Mama '86 hope to form such a model partner such a model partnership.)

## **RECOMMENDATIONS:**

### **Short Term:**

1. All NGOs need management training and training in advocacy. They also need to learn more about strategic planning.
2. Women's groups in particular need to learn more about reproductive health care. Abortion rates should be lowered immediately through counselling programs for women and improved access to modern methods of contraception.
3. Exchange visits should be made between PVOs in the U.S. and counterpart organizations to learn more about management and technical skills, leadership and team building.

### **Long Term:**

1. Model clinics should be established to provide services and training to physicians and nurses.
2. Management training through workshops and in-house programs are essential for all NGOs.

# **WOMEN'S ISSUES IN RUSSIA AND THE UKRAINE**

Elise Fiber Smith  
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Winrock International

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## **I. BACKGROUND: THE DECLINING STATUS OF WOMEN**

From 1989 to the present, the status of women in Russia and the Ukraine has been declining. This is occurring at a time when organizations which formerly were part of the state no longer exist and new organizations or recreated ones are desperately needed to meet the needs of the new society. One of the most powerful forces to build up the NGO sector is women. Yet, the support and resources to strengthen the leadership and participation of women in the new society and fledgling women's movement are marginal and women's issues are invisible in the major policy dialogue taking place. Women face obstacles such as stereotyped roles and the double burden of economic provider and caretaker of the family. They are the ones who stand in the lines for food, take care of the family health needs, and care for the elderly.

My observations from participating for 5 days in the *Women and Free Market Economy Conference* attended by approximately 300 women from different NIS states and discussions with women's, agricultural, and environmental groups in the Ukraine and Russia reconfirm the serious gap between legal equality guaranteed under the constitution and the reality of everyday discrimination that persists.<sup>8</sup> Let's look at some facts:

1. 80% of the unemployed are women. Women's jobs have been the first to be eliminated in the economic downturn. Thus, millions of women are deprived of earning income during the economic crisis.
2. A conservative trend to put women in the home has developed. It is reinforced by messages in the media on women, motherhood and the nation encouraging women to go back to the home. Current legislation pending in the Russian Parliament would limit women's working hours to 20 hours a week. Russian women are extremely concerned about this and will fight against it. A recent survey indicated that if women were given a choice to stay home only 20% would opt for it.
3. Women face discrimination in job allocation, wage levels, working conditions, and promotional opportunities. While there is horizontal mobility of women in the labor

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<sup>8</sup> Outside of USAID, the term CIS, Commonwealth of Independent States, in lieu of NIS, Newly Independent States, is used to describe the region including Russia and the Ukraine.

force, there is a lack of vertical mobility. Women are clustered in low-paying jobs and remain there.

4. Overall, women are highly educated: 38% of the engineers, 75% of the economists, and 67% of the medical care workers are women. Yet, they are rarely in top policy or management jobs, positions that are still considered a male bastion. In fact, two times as many women as men perform manual labor in industry, construction, and agriculture.
5. Rural women represent 1/2 of the labor force on collective and state farms. 80% of them are doing manual labor and face especially difficult working conditions. An estimated 700,000 rural women are doing agriculture related work under less than sanitary conditions.

The process of privatization has major implications for women. According to one economist, both the resurgence of the household as a rural economic unit and the demise of the official wage structure for agricultural work will improve economic opportunities for women. On the other hand, there is a possibility that rural women will be left out as privatization gains momentum because a lifetime of collectivization has left them utterly unfamiliar with matters of business, management, banking, land tenure, and political advocacy.

Women in the agribusiness sector are few but many would like to start up productive food processing businesses. Technical support for assisting budding agribusiness women in the start-up phase is crucial if women are to use their talents and have equal access to opportunity. By and large, the subject of rural women's roles was not given much attention in all agricultural meetings attended.

6. Throughout the NIS, the number of women holding elected positions has significantly decreased. For example, in Russia and the Ukraine, fewer women hold parliamentary positions now than before *perestroika*. When the new Ukrainian election law eliminated quotas for female nominees, the number of female candidates dropped from 33% to 16.6% in 1989. In the 1990 Russian federal elections, only 5% of those elected to national and local governing bodies were women--compared to 33% of the women being deputies in the Supreme Soviet in 1985.
7. Health and environmental problems have had profound and negative consequences on women and children (see in-depth report on health by Adrienne Allison of CEDPA). The poor health of women is affecting a whole generation of newborns and has resulted in the reluctance of women to have children. The maternal health situation detailed below requires urgent attention.
  - a. 50% of families have only one child, and surveys show that many women are reluctant to have any children at all.
  - b. The birth rate is lower than the death rate and has been for several years.



- c. Only 14% of children are in good health; the primary cause of illnesses is environmental poisoning. In addition, the numbers of children with birth defects is increasing due to environmental factors.
  - d. The high number of maternal deaths (52 per 100,000) is ten times that of developed countries.
  - e. The abortion rate (estimated at 3.6 million a year in 1991) is extremely high. It still remains the primary means of birth control in the NIS.
  - f. Poor hygienic practices contribute to women's high rate of infections during abortion or pregnancy.
8. On the psychological level, many women expressed their fear of losing their identity and spiritual values in the transition to a free market economy. They do not understand how to cope and to find new behaviors to survive. Support groups, as such, are far and few between. Many women feel alone and isolated.

## II. FINDINGS

### A. The NGO Sector - An Emerging Movement

NGOs come in many shapes and forms and there is not yet a clear definition of what constitutes an NGO in the NIS. Most NGOs we met with were both quasi enterprises and non-profit organizations. There is not a history of NGOs as we know them but, at the same time, there is a history of charitable giving that dates back to the Czars. Currently, the Russian Orthodox Church is playing an important role in charitable and humanitarian aid, as are other groups. In the period before Communism, existing Russian NGOs shared many similarities with European NGOs.

What is happening with NGOs in the women's movement? While the law changed to promote the formation of non-governmental groups, the line between *commercial* (profit) and *noncommercial* (non-profit) organizations is fuzzy. Women's groups, clubs, and associations are springing up all over Russia and the Ukraine. One of the earliest precedents of self-help action groups developed after the Chernobyl accident. Many of the leaders of the environmental movement were women who helped to organize self-help groups which then evolved into strong advocacy groups. Small local women's clubs now forming are not often registered and are financially weak. They are organized horizontally to meet local needs. Examples include, youth groups, vulnerable pension groups, small business groups, charitable fund-raising groups, and commercial enterprises. The older, more established local, regional, and national organizations are trying to transform themselves into independent, private non-governmental organizations. They want to remain independent of the state. This transformation does not come easy as historically many of them were part of the National Women's Committee of the USSR which was connected to the state apparatus and thus received financial support from it.

The Ukrainian Woman's Union is an organization I spent four hours with. With over 1/2 million members and councils in all 27 regions of the Ukraine, the Union has tremendous outreach and potential for role modeling in this transition period. The members pride themselves on their new independence and are trying to cope with the change. Among their different activities are efforts to generate income for their work by setting up commercial enterprises. They are also training women to set up small businesses but need more expertise as this is a new area for most citizens. Other kinds of groups where women predominate like scientific academies, special constituency groups such as the Mother's Union of Military Personnel and the Union of Women Custom Agents, Security Agents, and Military Police were formerly connected to the state, but are now new NGOs trying to become privatized. They want to know how to set up income generating business for revenue purposes and how to use new management skills. In addition, National Women Business Associations are being formed. Most of them are trying to deal with complicated agendas that cross many sectors because of the enormous needs of women, children, and their families including health, unemployment, group problems, etc.. These associations cannot count on individual contributions to survive as people do not have disposable income.

At the Women's Conference sponsored by the Gaia Women's Center and 5 other organizations, participants expressed the need for new as well as more traditional women's groups and associations to carry out united action to influence the programs of the parliament. Women's organizations are not yet coordinated for joint action. In fact, in one of the few instances of coordinated action, the Conference participants met with parliamentarians to present a plan of action. Their recommendations included:

1. Request to the government to hold a hearing on the UN Convention on the Elimination of All Forms of Discrimination Against Women which was ratified by the former USSR but has not been implemented.
2. Support for an International Conference on Women's Rights to be held in Moscow.
3. Establishment of a network of gender experts that can do analyses for the government and private sector.

Women's organizations and other NGOs are actively seeking solutions to their society's problems. They are vigorously trying to learn about different options for organizing. They seek exposure to different models and technical cooperation to enhance their knowledge about democratic and free enterprise institutions. The time is now to make linkages and establish relationships between US women's organizations and other NGOs with NIS women's organizations, clubs and other NGOs. This partnership with women will work to support and advance women's leadership so vital to both societies. The time to act is now as new organizations are being created to meet the needs left by the collapse of the monolithic communist state system. These organizations offer alternatives to governments for responding to citizen's needs.

## **B. Transition Forces and Challenges**

After the fall of the Communist USSR, women had to find a new sense of self and a way to organize themselves not dependent on the state. The new democratic societies gave legal space for the development of all kinds of women's organizations. During the Communist era, women in the Soviet Union had not gone through a process of identifying their changing roles and needs and identifying how to influence and organize themselves to meet the needs of their families. This process has recently begun. Until the democratic changes began, the state controlled the women's organizations and new women's groups were forbidden. Now, a whole new period is underway as women struggle to survive in the new and deteriorating economy, juggling their double burden, trying to keep their jobs or find ways to create new businesses to get income, and provide for their health care and the health of their children and families. Men have not shared the double burden that the women are struggling with. At this moment, the development of the women's movement needs to be supported as it can play a critical role in the future of the NIS.

## **C. The Most Useful Form of Assistance**

In the US, NGOs are one the most important channels for social change. They carry out social, economic, and political programs at the local level as well as nationally to better the quality of life of our citizens. They model democratic procedures and processes to solve local problems. They represent the pluralism and diversity in the private sector which strengthen the stability of our democratic society. Most importantly they carry out tasks that governments are not able to perform and supplement government efforts to meet the needs of its citizens.

## **D. Prerequisites for Creating Good Partnerships**

In developing partnerships and linkages between US and Russian and Ukrainian NGOs, the first requirement is to recognize that NIS and US NGOs will be working as equal partners. The NIS population is highly educated: 62% of the women have secondary or higher education. The people of Russia and the Ukraine do not want charity or aid. The primary first step is the establishment of trust between US and NIS groups. Cross-cultural communication skills are vital for building understanding and trust. While I believe the most useful forms of technical cooperation are short-term, the relationships and alliances that will be established have long-term implications. The beginning steps needed to form ties with the developing women's movement is to identify links to organizations which have similar missions, develop a dialogue, and a joint activity. They are eager for concrete action -- not talk. Many of the existing groups are cross-sectoral. Small concrete pilot activities will develop the trust relationship critical for long-term partnership and joint activity.

**E. Potential Partners Interested in Linkages with US NGOs**

**Moscow**

1. Gaia Women's Center; Elena Ershova, Director
2. Women's Business Association; Ludmila Konareva, Chairperson
3. The Foundation for Social Innovations; Gennady Alferenko
4. The Gender Studies Center; Zoya Khotkina, Researcher
5. Academy of the National Economy; Elena Ivankina, Director
6. AKKOR; Vladimir Bashmachnikov, President; Konstantin Mezentsev, Head of Public Relations

**Kiev**

1. The Ukrainian Women's Union; Mariya A. Orlic, Chairman

**F. Recommendations: Opportunities for Action That Will Make a Difference**

**1. US-NIS Alliance for Women's Leadership**

Winrock International proposes to support the formation of a *US-NIS Alliance for Women's Leadership*. The goal of this alliance would be to strengthen women's leadership through cooperation between NIS and US NGOs to solve serious problems facing NIS societies. The objectives of this Alliance are enumerated below:

- a. Forge networks and partnerships between NIS and US NGOs for mutual support and cooperation.
- b. Facilitate information dissemination, cooperative action, and technical exchange between NIS and US NGOs.
- c. Facilitate/conduct training in leadership and small business development.
- d. Provide grants for NGO development and action in NIS.
- e. Sponsor research on women's social, economic and political roles, status and potential for leadership in NIS.
- f. Develop short-term internship opportunities.

The Alliance on the US side will consist of a consortia of US NGOs which will facilitate partnerships and networks with NIS NGOs. In the NIS, partnerships and networks with individual women's groups and other NGOs will be established and future efforts made for consortia development.

These networks will include groups focused on inter-disciplinary and cross-sectoral issues such as:

- Health
- Environment
- Family
- Law/rights
- Family farms
- Small enterprise
- Women's Issues

A major function of the US consortia will be to develop partnerships between NIS and US women's organizations and other NGOs to foster cooperative action between the different groups. Specific targeted learning experiences should be tailored to the specific needs and requests of particular groups. Cooperative actions can include:

- Short-term technical exchanges
- Internships
- Access to mentors
- Technical cooperation

Furthermore, training workshops for selected members of the Alliance can be carried out in the US and NIS. Suggested needs expressed by NIS groups fall into two categories:

**Leadership Training Workshops** tailored to: the self-development of women leaders; women's rights; participation in democratic governance and running for political office; environment; the private enterprise system; advocacy; and health and family issues.

**Small Business Development Workshops** focused on: start-up and management skills, marketing; the use of credit; agribusiness; rural enterprise development; farm management; and proposal/business plan development skills.

In addition to network development, technical cooperation, and training, the Alliance can provide small grants to NIS NGOs for special projects. Finally, the Alliance can support research on a variety of questions concerning the status of NIS women, prevalence of NGOs managed by and focused on women, and women's development needs to prosper in the new society.

2. **Organizations That Have Expressed Interest in Linkages With US NGOs and Their Areas of Interest**

**Moscow**

a. **Gaia Women's Center**

This organization reaches a network of approximately 80 prominent and educated women who have created an independent organization that can provide support and training to women. Areas of interest include:

1. Small business training
2. Management and organizational development training
3. Leadership training and training of trainers
4. Agribusiness women's training
5. Special program for demonstrated women leaders in policy and business

b. **Gender Studies Center**

This organization is one of the few that carries out research on women. Areas of interest include:

1. Sponsoring workshops on leadership.
2. Co-partnering research on women's issues

c. **Academy of the National Economy (formerly the Academy of Social Sciences)**

This organization is developing a short-term agribusiness training program and would be interested in developing a special course of 1-2 weeks on women in agribusiness. In addition, they would like to have short-term training abroad exchanges for their women and men trainees.

d. **National Association of Women's Business**

This organization has approximately 30 members who are highly respected women professionals. Areas of interest include:

1. Use of credit
2. Management skills
3. Financial accounting

e. **AKKOR: Russian Association of Farmers, Enterprises and Agricultural Societies**

This organization represents private farmers in Russia. They would be open to organizing a workshop on the role of rural women.

**Ukraine**

a. **Ukrainian Woman's Union**

This 70-year old non-government, non-profit, and non-political organization has 500,000 women members and is run by volunteers. Two of their major objectives are to meet the needs of women in the work force and to promote small enterprise development. They want to offer short-term training for women to start-up business ventures including training in management, marketing, credit and extension services as well as short-term technical cooperation using US experts in modern breast cancer prevention and treatment and training and support for joint ventures in the manufacture and sale of breast cancer prostheses.

Overall there is still a great lack of baseline data on women. Gender disaggregated data is not collected in much of the macro and micro research carried on in the former Soviet Union. There is a strong need to increase the capability for extracting that information so that policies and plans can correctly determine the impact of interventions on men and women and make sure women's and men's needs are incorporated. Other studies and research on women's issues are still critical.

Where possible we need to find ways to have short-term exchanges or internships for members of Ukrainian and Russian women's groups to come to the US to be exposed to different options for NGOs in the new system. In return, they can teach the members of US groups many valuable lessons from their experience and society. In all agricultural, environmental or NGO meetings, the priority needs expressed by women and men were: the need for expertise in small business development; understanding free enterprise system. Training in organizational development and organizing support groups to provide options for coping and managing in the new Russia was another area of interest.

Women's groups were interested in leadership techniques and technical cooperation to strengthen women's capacity to participate in the policy and business dialogues. All the women I met with are searching for innovative ways for their survival and for making their organizations strong and independent.

### III. CONCLUSION

In the NIS, the emergence of NGOs and women's groups is a significant social movement for change. The new organizations and their leadership will bring innovation and creativity to the new systems needed in the NIS. The time is now to reach out in partnership action with NIS NGOs, especially new women's groups and the leadership of the emerging women's movement. They need support during this transition period. Women's leadership can improve dramatically in the next few years to bring future opportunities for women's contribution and leadership in the new societies of the NIS.



# ***APPENDICES***

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- I. VEST Initiative Objectives***
- II. VEST Team Members***
- III. A Preliminary List:  
Potential Partners and Partnership Resources***
- IV. Contacts: Russia and Ukraine***

## APPENDIX I

## VEST INITIATIVE OBJECTIVES

The Volunteer Executive Service Team (VEST) Initiative was created to foster partnerships, alliances, linkages and coalitions between U.S. DVOs and the NGOs of the commonwealth of

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## **APPENDIX II**

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### **VEST TEAM MEMBERS**

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<b>SALLY MONTGOMERY</b> (Co-leader)	A.I.D., Deputy Assistant Administrator; Director, Office of Private & Voluntary Cooperation (PVC)
<b>TOM MCKAY</b>	Senior Advisor for PVOs, State Department, D-CISA
<b>BRUCE HOPKINS</b>	President, Institute for International Law and Philanthropy (democratization, advocacy & philanthropic law)
<b>CLARE SMITH</b>	President, Aid to Artisans (small enterprise/marketing)
<b>DAVID COOPERRIDER</b>	Associate Professor, Case Western Reserve University Weatherhead School of Management (NGO institution building)
<b>STANLEY HOSIE</b> (Co-leader)	Executive Director, COUNTERPART & member of A.I.D.'s Advisory Committee on Voluntary Foreign Aid, and the Board of Directors of InterAction (environment)
<b>RUDY VON BERNUTH</b>	Associate Vice President, Save the Children & member of the Advisory Committee on Voluntary Foreign Aid (community development, local institution building)
<b>ADRIENNE ALLISON</b>	Vice President, CEDPA (health and family planning)
<b>ED BULLARD</b>	Founder, President & CEO, Technoserve & member of InterAction Board of Directors (agriculture, enterprise development)
<b>ARLENE LEAR</b>	Manager VEST Initiative, COUNTERPART
<b>MALCOLM LOVELL</b>	President, National Planning Association (enterprise development, business/labor partnership)
<b>REGINA COLEMAN</b>	A.I.D. Program Officer, NIS Task Force, (ex-officio)
<b>TOM KELLY</b>	PVO/NIS Project Director, World Learning, Inc., (ex-officio)
<b>ELISE FIBER SMITH</b>	Director, Women's Leadership Program, Winrock International (ex- officio) (women's issues)

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## **APPENDIX III**

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### **A PRELIMINARY LIST: POTENTIAL PARTNERS AND PARTNERSHIP RESOURCES**

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Following is an illustrative list of potential partners and partnership resources: (see Contact List in Appendix IV)

#### **WOMEN'S ISSUES RUSSIA**

##### **International Women's Center**

Directed by Alexandra Momdjan, the Center focusses on health care services and humanitarian assistance. In 1991 the Center reached 16,000 women, and in 1993 the Center plans to open a women in business program offering legal advice to potential entrepreneurs. The Center is seeking additional support in opening a community-based women's reproductive health center in another prefecture in Moscow.

##### **Gaia Women's Center**

Directed by Elena Ershova, Gaia Women's Center is an organization that reaches a network of approximately 80 prominent and educated women who have created an independent organization that can provide support and training to women.

##### **Woman's Business Association**

Chaired by Ludmila Konareva, this organization has approximately 30 members who are highly respected women professionals. Area of interests include: Use of credit, Management skills, and Financial accounting.

##### **AKKOR: Russian Association of Farmers, Enterprises and Agricultural Cooperative Societies**

Headed by Professor Vladimir F. Bashmachnikov, AKKOR is an association of several hundred "private farmers" promoting privatization and transformation of old collectives. They would be open to organizing a workshop on the role of rural women

## **The Gender Studies Center**

This organization, according to Researcher, Zoya Khotkina, is one of the few that carries out research on women. Areas of interest include: Sponsoring workshops on leadership, and co-partnering research on women's issues.

## **Academy of the National Economy (formerly the Academy of Social Sciences)**

Headed by Elena Ivankina, this organization is developing a short-term agribusiness training program and would be interested in developing a special course of 1-2 weeks on women in agribusiness. In addition, they would like to have short-term training abroad exchanges for their women and men trainees.

## **WOMEN'S ISSUES UKRAINE**

### **The Ukrainian Women's Union**

Chaired by Mariya A. Orlic, with over 1/2 million members and councils in all 27 regions of the Ukraine, the Union has tremendous outreach and potential for role modeling in this transition period.

## **HEALTH ISSUES RUSSIA**

### **The Moscow Center of Health Problems**

Founded by Professor Alexander Razumov, the Moscow Center is planning a 23 story "International Health Center" that will focus on "rehabilitation of functional disorders".

## **HEALTH ISSUES UKRAINE**

### **MOMS-86**

A Ukraine-wide entirely private organization of mothers concerned about the children of Chernobyl.

### **The Red Cross**

One of the first NGOs established in Odessa before the turn of the century, serves as a models for NGO's which are now in their formative stages. Following its rebirth three years ago, It has identified its role and begun to receive financial support from a small group of emerging entrepreneurs, principally the shipping industry.

## **The Soyuz Chernobyl Organization**

Registered with the Ministry of Justice, the organization is staffed by a chairman, a vice chairman, one doctor, one lawyer and a secretary-bookkeeper. This staff is augmented by volunteers, the head of more than seven Chernobyl related organizations, The National Foundation for Help to Chernobyl Invalids, Ukrainian Foundation for the Victims of Chernobyl, The Children's Foundation, The society of disabled Children of Chernobyl, etc. (Additional information can be located on page...)

## **ENVIRONMENTAL ISSUES RUSSIA**

### **The Socio-Ecological Union (SEU)**

The SEU is an international organization which is an umbrella for nearly 300 smaller organizations and groups in the former USSR concerned with the environment. The SEU provides technical and advisory support on projects covering areas such as: Environment and human health, biological diversity and protected areas, ecological education, and environmental legislation, among others. The SEU cooperates with the Academy of Sciences, Universities and with many divisions of the Ministry on the Environment.

### **ISAR**

ISAR staff gathers information on Non-Governmental Organization (NGO) environmental activities in the U.S. and the NIS, runs exchanges which place American volunteers in environmental positions in the NIS and places NIS citizens in American NGO's; seeks U.S. support for SEU-sponsored projects (see above description of SEU), maintains a network of Americans involved in joint environmental activities in the NIS. In 1990 ISAR and the SEU opened an **International Clearinghouse on the Environment (ICE)** with offices in Washington and Moscow, to improve communication and facilitate exchanges between NGO environmentalists in the U.S. and the NIS. ( see ISAR under "PARADIGM PIONEERS")

## **AGRICULTURE RUSSIA**

### **Academy of the National Economy (formerly the Academy of Social Sciences)**

Elena Ivankina, Director (see "WOMEN'S ISSUES" above)

**AKKOR**, Russian Association of Farmers, Enterprises and Agricultural Cooperative Societies (see "WOMEN'S ISSUES" above)

## **MICRO-ENTERPRISE/VOCATIONAL EDUCATION RUSSIA**

### **The Russian Association for International Relations**

Headed by Valentina Tereshkova, the first Russian woman cosmonaut, the Russian Association of International Relations is now an NGO, with historical ties to the former Soviet government. Among its many interests are the seven vocational schools outside Moscow where students, chosen by competition, learn the traditional arts of Russia. The Russian Association would like to broaden the school experience, including arranging student and faculty exchanges. (Additional information can be found on page...)

### **Sudzal Institute of Restoration**

Vocational School that works with champleve and cloisonne enameling. Participates in exchange workshops with American teachers skilled in the production of similar crafts.

### **Logos**

A church group that has taken on the support of a small (40 workers) enamel on copper workshop.

## **GENERAL RUSSIA**

### **Center for Citizen Initiatives (see above under "PARADIGM PIONEERS")**

Since 1983 the Center for Citizen Initiatives has carefully built networks of former Soviet and American citizens for the purpose of creating channels of communication and supporting democratic forces in the former USSR. Based in San Francisco, the Center has affiliates in Moscow and St. Petersburg. In addition, the Center's CIS network covers 70 cities, focusing on such programs as business management, environment, substance abuse, agriculture, and entrepreneurship.

### **Foundation for Social Innovations (FSI) (see above under "PARADIGM PIONEERS")**

FSI/Moscow and its affiliated organization, FSI/USA (New York) are non-profit NGOs which seek to build the capacity of democratic institutions in the CIS by 1) facilitating contacts and communication between U.S. and CIS counterparts: assisting in exchanges (including sponsorship and visa processing) and arranging meetings; 2) volunteer and staff development programs; and 3) mobilizing resources in the CIS and internationally.

## **Interlegal Research Center**

Based in Moscow, (with an affiliate in New York City) Interlegal Research Center, headed by Dr. Nina Belyaeva, was founded in 1989 as an independent NGO, for the distinct purpose of being an information clearinghouse on Russian NGOs. Interlegal publishes a directory on organizations registered with the Russian Ministry of Justice, as well as a monthly newsletter covering issues related to charity, women's issues, human rights, and religion.

Interlegal also provides legal services to foreign grantmakers and NGOs in the areas of grantmaking and partnership agreements. It also provides legal services related to registering as a legal entity under Russian law.



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## **APPENDIX IV**

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### **CONTACTS: RUSSIA AND UKRAINE**

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**Academy of National Economy**  
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Chairman of the board of AMS company.  
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(Source: Foundation for Social Innovations)

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